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# 2017

ANNUAL REPORT

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HORSE RACING  
IRELAND

# Horse Racing Ireland Annual Report 2017

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## MISSION STATEMENT

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

In identifying its mission statement, 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 HRI Strategic 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 & COMMITTEES OF HORSE RACING IRELAND

### HORSE RACING IRELAND BOARD

<b>Nicholas Hartery</b>	<i>Chairperson</i>
<b>Bernard Caldwell</b>	<i>Stable staff nominee, HRI Industry Services Committee</i>
<b>Daragh Fitzpatrick</b>	<i>Chair, HRI Betting Committee</i>
<b>James Gough</b>	<i>Representative of racehorse owners</i>
<b>Christy Grassick</b>	<i>Representative of racehorse breeders</i>
<b>Michael Halford</b>	<i>Representative of racehorse trainers</i>
<b>Elizabeth Headon</b>	<i>Ministerial nominee</i>
<b>Harry McCalmont</b>	<i>Representative of the Racing Regulatory Body</i>
<b>Conor O'Neill</b>	<i>Representative of authorised racecourses</i>
<b>Robert Nixon</b>	<i>Representative of the horse racing industry in Northern Ireland</i>
<b>Carol Nolan</b>	<i>Chair, HRI Industry Services Committee</i>
<b>Peter Nolan</b>	<i>Ministerial nominee</i>
<b>Meta Osborne</b>	<i>Representative of the Racing Regulatory Body</i>
<b>John Powell</b>	<i>Representative of the Racing Regulatory Body</i>

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## APPOINTMENTS & REMUNERATION COMMITTEE

Nicholas Hartery *Chairperson*  
Con Haugh  
Meta Osborne

## FIXTURES COMMITTEE

Harry McCalmont *Chairperson*  
James Gough  
Michael Halford  
Conor O'Neill  
Meta Osborne

## BOOKMAKERS COMMITTEE

Mary O'Connor *Chairperson*  
Bernard Caldwell  
James Gough  
Raymond Horan

## FAIRYHOUSE COMMITTEE

Pat Byrne *Chairperson*  
Billy Bourke  
Bernard Caldwell  
Gordon Elliott  
Paul Grimes  
Brian Kavanagh  
Dara Mullen  
David Robinson  
Mary Wallace

## FINANCE COMMITTEE

Nicholas Hartery *Chairperson*  
Brian Kavanagh  
Harry McCalmont  
Meta Osborne

## FOAL LEVY COMMITTEE

Jim Beecher *Chairperson*  
Bernard Caldwell  
Suzanne Eade  
Derek Icton  
Richard Kennedy  
John McEnery  
David O'Callaghan

## AUDIT & RISK COMMITTEE

Con Haugh *Chairperson*  
Bernard Caldwell  
James Gough  
Sasha Kerins  
Peter Nolan  
Nick Wachman

## HRI RACECOURSES BOARD

Nicholas Hartery *Chairperson*  
David Allman  
Pat Byrne  
Tom Gaffney  
Tim Hyde  
Brian Kavanagh  
Noel Meade  
John Osborne

## ITM COMMITTEE

Dermot Cantillon *Chairperson*  
Victor Connolly  
Caoimhe Doherty  
Cathy Grassick  
Michael Halford  
Brian Kavanagh  
Jim McCartan  
Eimear Mulhern  
Richard Pugh  
David O'Loughlin  
John Osborne

## LEOPARDSTOWN COMMITTEE

David Allman *Chairperson*  
Henry De Bromhead  
Chris Jones  
Brian Kavanagh  
Una Manning  
Dave McGrath  
Eimear Mulhern  
Jim Mulqueen  
Dermot Weld

## MEDIA RIGHTS COMMITTEE

John Moloney *Chairperson*  
James Gough  
Nicholas Hartery  
Derek McGrath  
Meta Osborne

## NAVAN COMMITTEE

Noel Meade *Chairperson*  
Noel Cloake  
Eimear Hannon  
Eddie O'Leary  
Jimmy Owens  
Pat Shields

## PROGRAMMES COMMITTEE

Harry McCalmont *Chairperson*  
James Gough  
Michael Halford  
Conor O'Neill  
Meta Osborne

## TIPPERARY COMMITTEE

Tim Hyde *Chairperson*  
Ciaran Conroy  
Matty Fogarty  
Maurice Moloney  
Daniel O'Connell  
John Power  
Peter Roe  
Michael Ryan

## BETTING COMMITTEE

Daragh Fitzpatrick *Chairperson*  
Allan Byrne  
Sharon Byrne  
Elizabeth Headon

## INDUSTRY SERVICE COMMITTEE

Carol Nolan *Chairperson*  
Bernard Caldwell  
Andrew Coonan  
John Flannery  
Michael O'Donoghue

# Horse Racing Ireland Annual Report 2017

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## HRI NOMINATIONS / APPOINTMENTS

<i>Dundalk</i>	<i>Cork</i>	<i>Irish Equine Centre</i>	<i>Punchestown</i>	<i>RACE</i>
Joe Collins	John Murphy	Suzanne Eade	Jason Morris	Suzanne Eade
Philip Furlong		John Malone	Dick O'Sullivan	Michael Halford
Ciaran Kennelly		Meta Osborne	Sandy Persse	Carol Nolan
			Nyall Speirs	
<i>Curragh Racecourse Limited</i>				
Brian Kavanagh				
Harry McCalmont				
John Moloney				

## CHAIRMAN'S REPORT

On behalf of Horse Racing Ireland, I am pleased to present our 2017 Annual Report. It was a strong year for the sector, with key figures showing an increase once again.

It is testament to the work of my predecessor, Joe Keeling, and the leadership team in Horse Racing Ireland, that, as I start out on my term as Chairman, Irish racing's reputation as a significant contributor to the Irish economy is growing. As has been acknowledged by the Minister for Agriculture, Food and the Marine, Michael Creed T.D., the committed approach shown by Joe in his role as chairman yielded a wonderful return for Irish racing.

It is my role to build on what Joe and the HRI team have achieved. I was honoured to have been appointed as Chairman of Horse Racing Ireland in May 2018 by Minister Creed and hope that my business experience, and my experiences as a thoroughbred breeder and owner will be of assistance to the Board of HRI in the coming years.

It is encouraging that the figures contained in this report point to an increase in the number of active owners in Ireland. We are confident that we can grow the numbers in all categories of ownership this year and beyond.

Prizemoney rose significantly to €62.4m in 2017 with a further increase very much in evidence in 2018. With retaining and attracting owners in mind, it can only be a positive that HRI has undertaken to increase prizemoney year-on-year. We must ensure that we remain competitive with our European counterparts, particularly in a post Brexit environment.

2017 was a very memorable year for Irish-trained horses on the racecourses of the world. And likewise, our breeding industry, one of the strongest in the world, achieved so much with Irish bloodstock sales increasing for the eighth consecutive year and Irish-bred horses sold to 32 countries.

In presenting these financial statements, I wish to thank the Board of Horse Racing Ireland for their work. I acknowledge all of those who make such a significant contribution to the Irish racing and breeding industry by serving on our many subsidiary boards and statutory and advisory committees.

Finally, I want to acknowledge the work of the management team and staff of Horse Racing Ireland who carry out the day to day administration of Irish horse racing. As I have seen at first hand, their dedication is second to none.

Nicky Hartery  
Chairman

## **CHIEF EXECUTIVE'S REPORT**

The remarkable success of Irish-trained horses on the world's stage was very much in evidence once again in 2017.

We celebrated a record-breaking 19 Irish-trained winners at the 2017 Cheltenham Festival. The success was to run through the year with a historic Melbourne Cup victory for 24-year-old Joseph O'Brien and a widely celebrated world record 28 Group and Grade 1 winners, spread over five different countries, for his father, Aidan.

The Irish racing and breeding industries continued to perform strongly, with a continuing resurgence in several key figures including bloodstock sales, race sponsorship, Tote turnover and a welcome increase in the number of entries and runners under both codes.

It is most encouraging that our breeding industry continues to perform strongly with Irish bloodstock sales increasing for the eighth consecutive year. The total value of bloodstock sold at public auction in Ireland was more than €175.6m while the figure for exported Irish-foaled horses sold at public auction globally was over €271.5m. We should be proud that Irish-bred horses were sold to 32 countries in 2017.

While the number of horses in training was marginally down, the number of entries, runners and field sizes for both National Hunt and Flat racing showed an increase on 2016. The average field size increased from 11.2 to 11.5 runners overall. In 2017, Flat entries were up by 10.4% and runners by 5.7%, while National Hunt figures also rose, with more modest increases in entries (2%) and runners (1.7%) recorded.

It remains a concern that on-course betting with both Tote and Bookmakers has declined once again, reflecting the continuing challenge being experienced by all on-course operators. Overall, in 2017 Tote Ireland saw a seventh successive year of turnover growth due to increases in off course and international sales. Revenue grew 6.7% from €92.9m to €99.1m in the year. There was growth in both Irish pools (up 6.7%) and international pools (up 17.4%). All profits from Tote Ireland's operation go directly back in to benefit Irish racing and Tote Ireland sponsored races at nine different racecourses in 2017, including TheTote.com Galway Plate.

There was a decline in overall attendance figures for the year as the Curragh undergoes its complete overhaul. With a reduced capacity, the numbers attending the bigger days, namely Dubai Duty Free Irish Derby Day and Longines Irish Champions Weekend, were reduced. The redevelopment will be completed in early 2019 when the Curragh facilities will match the world class action on the track.

In all, 13 racecourses completed works supported by the HRI Racecourse Capital Development Fund in 2017. It remains a priority that we improve the raceday experience for all stakeholders and I commend the racecourses as they continue to push ahead with upgrading facilities, both customer- and industry-facing.



## **CHIEF EXECUTIVE'S REPORT (continued)**

Increasing prizemoney at all levels remains a priority for HRI. We must remain competitive with our European counterparts to attract and retain racehorse owners in Ireland. Minimum race values were increased in 2017, with major investment in races where most owners are competing. Competitive options for middle and lower-tier National Hunt horses were trialled successfully in the summer of 2017 and this will continue with further initiatives, including an increased number of auction maiden hurdles, the EBF Summer Series of handicap hurdles and chases, and an increased number of confined maiden hurdles.

Sponsorship is a significant contributor to the prize fund. We saw further growth in commercial sponsorship in 2017, coming on top of strong gains over the previous 12 months. This upward trend is very encouraging and shows that confidence in horse racing's appeal as an advertising and promotional vehicle for local, national and international business is good.

In 2017, we commissioned a report into the economic impact of the racing and breeding industries in Ireland and this study, carried out by Deloitte's Sports Business Division produced very positive results. Both industries contribute €1.84bn to the rural economy, sustaining 28,900 direct and indirect jobs. In every county in Ireland the tradition of breeding thoroughbred horses continues. We are the second largest producer of bloodstock by value, a remarkable achievement and testament to the quality of Irish bloodstock. We strive to make both industries stronger, to increase the number of people employed throughout the country and to add our contribution to the Irish economy.

Brian Kavanagh  
Chief Executive

## FINANCE REVIEW

The financial statements of the Horse Racing Ireland Group showed a deficit for the year ended 31<sup>st</sup> December 2017. HRI's deficit for 2017 was €4.559m against a surplus for the previous year of €4.825m, an overall decrease of €9.384m.

During 2017, Horse Racing Ireland contributed an additional €3.912m to prizemoney, bringing the contribution to €41.236m in 2017 from €37.324m in 2016. Horse Racing Ireland capital development fund grant expenditure increased by €9.792m during 2017.

### *GROUP INCOME AND EXPENDITURE ACCOUNT*

Turnover for the year increased by 6%, or €6.959m to €114.489m compared to €107.530m in 2016. During the year, Tote Ireland turnover has increased from €92.854m to €99.140m showing an increase of €6.286m. Winnings paid by Tote have also increased by €6.175m, resulting in a net increase of €0.111m.

Racecourse income has increased by €0.870m. This increase has been somewhat offset by a corresponding increase in racecourse operating costs of €0.453m. Income from bookmakers showed a decrease of €0.197m to €1.483m in 2017. This was as a result of levy reductions and changes to the levy structure.

The number of fixtures staged in 2017 was 357 versus 356 in 2016. The total number of races run was 2,606 in 2017 compared to 2,577 in 2016.

Complete statistics for Irish racing are available in the Horse Racing Ireland Fact Book 2017 and on the website [www.goracing.ie](http://www.goracing.ie).

### *OTHER INCOME*

The increase in other income can be primarily attributed to the allocation from the Horse & Greyhound Racing Fund, foal levy income and media income.

The allocation from the Horse and Greyhound Racing Fund showed an increase of 8% or €4.800m from the previous year. The total allocation to horse racing in 2017 was €64.000m. Foal Levy contributions showed an increase of 15% or €0.287m to €2.142m in 2017. Media income amounted to €6.521m showed an increase year on year of 11% or €0.634m.

### *PRIZEMONEY*

The total prizemoney pool of €62.418m showed an increase of €4.666m from the previous year's total of €57.752m. Owners Contributions to prizemoney increased by €0.316m from 2016 due to an increase in entry levels. Income from sponsors increased by €0.438m due to a greater EBF contribution and an increase in sponsorship of major races. HRI's contribution to prizemoney increased by €3.912m in 2017 due to additional prizemoney allocated to a wide range of races.

Prizemoney contributions from Owners & Sponsors also increased due to an increase in the number of entries & sponsorship, respectively.

### *POINT TO POINTS*

Within the overall prizemoney pool, Point to Point prizemoney in 2017 totalled €1.326m, an increase of 42%. This is as a result of the increase in the 2017 grant, an increase in prizemoney and an increased number of races and fixtures in 2017.

## **FINANCE REVIEW (continued)**

There was an increase of 2 point to point fixtures from 98 in 2016 to 100 in 2017. There was an increase of 12 point to point races from 617 in 2016 to 629 in 2017.

Payments made in respect of Point to Point Integrity costs increased to €0.686m in 2017 from €0.573m in 2016.

### *EXPENDITURE*

During 2017, Group expenditure excluding prizemoney, increased to €41.647m which was an increase of 30% or €9.694m from the 2016 figure of €31.953m.

Investment properties, which are a health and fitness club, a retail unit and an office building, were valued to fair value at year end. In 2017, the fair value increased by €0.400m to €11.700m.

HRI established a capital development scheme for racecourses in 2015. Under this scheme HRI provides up to a maximum of 40% funding with the balance being funded by the racecourses. This scheme is in the advanced stages, with capital works now being completed. Capital development fund grant expenditure in 2017 increased to €12.062m from €2.270m in 2016. This has resulted in an increase in the cost to HRI of €9.792m during 2017.

Integrity and Racecourse Services costs totalled €11.440m in 2017 with integrity services increasing by €0.961m or 9% in the year. Racecourse services costs showed an increase of 4% or €0.111m over 2016. The increase in spend in 2017 relates to an increase in key integrity areas including consultancy costs.

Grants / Fees paid to industry bodies increased by 7% in 2017 to a figure of €2.916m primarily due to increased funding for the Irish Equine Centre. Distributions paid under the Foal Levy Scheme in 2017 increased by 4% to €1.370m. The primary third party beneficiaries of the Foal Levy funds in 2017 were the Irish Equine Centre, in receipt of €0.870m and Irish Thoroughbred Breeders' Association, in receipt of €0.425m. Irish Thoroughbred Marketing Limited was also a beneficiary and received €0.425m.

Horse Racing Ireland administration costs increased from €6.279m in 2016 to €6.926m in 2017. This is as a result of additional consultancy costs in 2017 and an increase in full time headcount.

Irish Thoroughbred Marketing expenditure decreased from €1.973m to €1.825m in 2017 and general marketing and promotional costs increased from €2.015m to €2.054m in 2017.

### *GROUP CASH FLOW*

In 2017, Group cash outflows from operating activities amounted to €0.440m. The net cash flows from investing activities totalled €25.195m, giving total cash outflow of €25.635m.

During the year, Group payments to acquire tangible fixed assets totalled €3.968m and investments in associate undertaking amounted to €11.750m. During the year the Group purchased unlisted investments of €55.460m and sold unlisted investments of €45.474m. This resulted in a net outflow of cash of €9.986m. The Group purchased listed investments of €4.998m and sold listed investments of €4.998m during 2017. During 2017, €10.000m in loans were drawn down and bank loans of €3.000m were repaid.

**AUDITED GROUP  
FINANCIAL STATEMENTS  
HORSE RACING IRELAND  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

## **HORSE RACING IRELAND**

### **BOARD MEMBERS AND OTHER INFORMATION**

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<b>Board Members</b>	Mr. Nicholas Hartery (Chairperson)	(Appointed 24 May 2018)
	Mr. Joe Keeling (Chairperson)	(Retired 24 May 2018)
	Mr. Bernard Caldwell	
	Mr. Daragh Fitzpatrick	(Appointed 26 January 2018)
	Mr. James Gough	
	Mr. Christy Grassick	(Appointed 26 January 2018)
	Mr. Michael Halford	
	Ms. Elizabeth Headon	
	Mr. Harry McCalmont	
	Mr. John Moloney	
	Mr. Robert Nixon	
	Ms. Carol Nolan	(Appointed 28 March 2018)
	Mr. Peter Nolan	
	Ms. Meta Osborne	
	Mr. John Powell	
Mr. Noel Cloake	(Retired 28 March 2018)	
Mr. Francis Hyland	(Retired 26 January 2018)	
Ms. Eimear Mulhern	(Retired 26 January 2018)	
<b>Secretary</b>	Mr. Raymond Horan	
<b>Registered Office</b>	Ballymany The Curragh Co. Kildare	
<b>Auditors</b>	Comptroller and Auditor General 3A Mayor Street Upper Dublin 1	
<b>Solicitors</b>	William Fry 2 Grand Canal Square Dublin 2	
	Kilroys Solicitors 69 Lower Lesson Street Dublin 2	
<b>Bankers</b>	Bank of Ireland Allied Irish Banks p.l.c. KBC Bank Ireland p.l.c. Permanent tsb Group Holdings p.l.c.	

# HORSE RACING IRELAND

## GOVERNANCE STATEMENT AND BOARD MEMBERS' REPORT

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### **Governance**

The Board of Horse Racing Ireland was established under the Irish Horseracing Industry Act, 1994 (as amended) ("the Act").

The functions of the Board are set out in section 10 of the Act. The Board is accountable to the Minister for Agriculture, Food and the Marine and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of Horse Racing Ireland are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Board, and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Board and senior management of Horse Racing Ireland.

Horse Racing Ireland is also responsible for the administration of its nine subsidiaries and the authorisation of transactions in each of the subsidiaries. The governance arrangements and control procedures within Horse Racing Ireland also apply to each of the subsidiaries.

### **Board Member Responsibilities**

The work and responsibilities of the members are set out in Schedule of Reserved Board Functions, which also contains the matters specifically reserved for Board decision. Standing items considered by the Board include:

- Strategic and business planning
- Financial management
- Resource allocation
- Corporate governance
- Reports from committees
- Financial reports / management accounts
- Risk management

The Board also considers declaration of interests and performance reporting as well as the above matters reserved for Board decision.

Section 29 of the 1994 Act requires the Board of Horse Racing Ireland to keep, in such form as may be approved by the Minister for Agriculture, Food and the Marine with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Board of Horse Racing Ireland is 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; and
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements.

The Board is responsible for keeping adequate accounting records 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 Section 29 of the Act and accounting standards generally accepted in Ireland. The maintenance and integrity of the corporate and financial information on the Horse Racing Ireland's website is the responsibility of the Board.

The members are responsible for approving the strategic plan and budget. An evaluation of the performance of Horse Racing Ireland by reference to the strategic plan and budget was last carried out on 15th December 2017.

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of Horse Racing Ireland give a true and fair view of the financial performance and the financial position of Horse Racing Ireland at 31 December 2017.

## HORSE RACING IRELAND GOVERNANCE STATEMENT AND BOARD MEMBERS' REPORT (CONTINUED)

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### Board Structure

The Board consists of a Chairperson and thirteen ordinary members, all of whom are appointed by the Minister for Agriculture, Food and the Marine. Members of the Board are generally appointed for a period of four years. In some instances, a second term may be served or the period of appointment may be longer. Members meet between 8 - 10 times per calendar year. The date of appointment of current members has been included at Note 14 to the Financial Statements. Following a change in Chair and strategic planning work, the Board have commenced an internal Board Effectiveness and Evaluation Review, which will be completed in 2018.

The Board has established five committees. Four of these committees are required by statute and one is required by the Code of Practice for the Governance of State Bodies. Their membership is defined by reference to the underlying statutory provisions, Code provisions or internal terms of reference and complies with same. No Committee members receive any fees in relation to these appointments.

### Statutory Committees

#### *Fixtures Committee*

The fixtures committee is responsible for determining and recommending proposals for the annual list of race fixtures, new or additional fixtures in the event of abandonment or cancellation of fixtures, monitoring the programme of race fixtures and proposing policies and strategies which form the basis for determining race fixtures.

#### *Media Rights Committee*

The media rights committee holds responsibility for determining and recommending media rights policies and strategies which form the basis for media rights contracts and arrangements, monitoring the international media landscape / market, overseeing the negotiation and financial arrangements associated with the sale or licensing relating to media rights.

#### *Betting Committee*

The betting committee determines and recommends strategies and policies whereby Horse Racing Ireland assist with the enhancement and development of the betting sector to contribute to the development and promotion of the horse racing industry.

#### *Industry Services Committee*

The industry services committee is responsible for determining and recommending initiatives and proposals that could be implemented and/or supported by Horse Racing Ireland as industry initiatives in order to strengthen the skills, learning and development and represent the interests of those employed in the industry.

#### *Fixtures Committee*

Harry McCalmont (Chairperson)	<i>Board member</i>
James Gough	<i>Board member</i>
Michael Halford	<i>Board member</i>
Meta Osborne	<i>Board member</i>
John Moloney	<i>Board member</i>

#### *Media Rights Committee*

John Moloney (Chairperson)	<i>Board member</i>
Joe Keeling ( <i>Retired 10/06/18</i> )	<i>Board member</i>
Derek McGrath	<i>External member</i>
Meta Osborne	<i>Board member</i>
James Gough	<i>Board member</i>
Nicholas Hartery ( <i>Appt. 10/09/18</i> )	<i>Board member</i>

#### *Betting Committee*

Allan Byrne	<i>External member</i>
Sharon Byrne	<i>External member</i>
Daragh Fitzpatrick	<i>Board member</i>
Elizabeth Headon	<i>Board member</i>
Tim Higgins	<i>External member</i>

#### *Industry Service Committee*

Bernard Caldwell	<i>Board member</i>
Andrew Coonan	<i>External member</i>
John Flannery	<i>External member</i>
Carol Nolan	<i>Board member</i>
Michael O'Donoghue	<i>External member</i>

# HORSE RACING IRELAND

## GOVERNANCE STATEMENT AND BOARD MEMBERS' REPORT (CONTINUED)

### *Code of Practice for the Governance of State Bodies Committees*

#### *Audit & Risk Committee*

The audit and risk committee is responsible for oversight and assistance to the HRI Board in relation to compliance, internal control framework, internal and external audit reviews, risk management and other regulatory or compliance matters.

#### *Audit & Risk Committee*

Con Haugh (Chairperson)	<i>External member</i>
Bernard Caldwell	<i>Board member</i>
James Gough	<i>Board member</i>
Sasha Kerins	<i>External member</i>
Peter Nolan	<i>Board member</i>
Nick Wachman	<i>External member</i>
Francis Hyland ( <i>Retired 26/01/18</i> )	<i>Board member</i>

### **Schedule of Attendance, Fees and Expenses**

A schedule of attendance of Board members at the Board and Committee meetings for 2017 is set out in Note 14 to the financial statements. This includes the fees and expenses received by each member. During his term Joe Keeling waived any fees and expenses.

### **Key Personnel Changes**

There were no changes to Board members during the year ended 31 December 2017. Since 31 December 2017 and to the date of approval of these financial statements, four Board members have retired; namely Francis Hyland, Eimear Mulhern, Noel Cloake and Joe Keeling (Chairperson). In accordance with the Act, all appointments are made by the Minister for Agriculture, Food and the Marine.

A number of key management structure changes occurred during 2017, including new appointments, in line with a revised structure agreed by the Board to ensure the achievement of the body's strategic objectives.

### **Code of Practice for the Governance of State Bodies**

The Board is responsible for ensuring that Horse Racing Ireland has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The Board has adopted the Code of Practice for the Governance of State Bodies and has put procedures in place to ensure compliance with the Code.

### **Statement of Compliance**

Horse Racing Ireland has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exceptions:

Horse Racing Ireland does not disclose details of the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards in their annual report and/or financial statements due to the commercial sensitivity of this information. This departure from the Code has been agreed with the Department of Agriculture, Food and the Marine.

In addition to the afore mentioned derogation, Horse Racing Ireland has sought formal derogations on 3 May 2018 from the application of the Code of Practice for the Governance of State Bodies in relation to the imposition of restrictions on further employment on Board members and staff and the requirement to oblige grant recipients to include staff benefits tables within their published financial statements where such publication arises solely as a consequence of such grant aid being provided by Horse Racing Ireland. We understand that these are under consideration at time of signing the accounts.

The Code required disclosures for Consultancy Costs, Legal Costs and Settlements, Travel and Subsistence and Hospitality Costs are set out in Note 14 to the financial statements.

  
Nicholas Hartery  
Chairperson

  
Meta Osborne  
Board Member

13th September 2018  
Date





**Ard Reachtaire Cuntas agus Ciste**  
**Comptroller and Auditor General**

**Report for presentation to the Houses of the Oireachtas**

**Horse Racing Ireland**

**Opinion on financial statements**

I have audited the financial statements of Horse Racing Ireland for the year ending 31 December 2017 as required under the provisions of section 28 of the Irish Horseracing Industry Act 1994. The financial statements comprise

- the group statement of income and expenditure
- the group statement of comprehensive income
- the group statement of changes in reserves and capital account
- the Horse Racing Ireland statement of changes in reserves and capital account
- the group statement of financial position
- the Horse Racing Ireland statement of financial position
- the group statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the group and of Horse Racing Ireland at 31 December 2017 and of the group's income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

**Basis of opinion**

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of Horse Racing Ireland and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Report on information other than the financial statements, and on other matters**

Horse Racing Ireland has presented certain other information together with the financial statements. This comprises the annual report, the governance statement and Board members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy**  
**Comptroller and Auditor General**

**28 September 2018**

## Appendix to the report

### Responsibilities of Board members

The governance statement and Board members' report sets out the Board members' responsibilities. The Board members are responsible for

- the preparation of financial statements in the form prescribed under section 28 of the Irish Horseracing Industry Act 1994
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 28 of the Irish Horseracing Industry Act 1994 to audit the financial statements of Horse Racing Ireland and to report thereon to the Houses of the Oireachtas.

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

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty

exists related to events or conditions that may cast significant doubt on Horse Racing Ireland's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Horse Racing Ireland to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

# STATEMENT ON INTERNAL CONTROL FOR HORSE RACING IRELAND FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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## **Scope of Responsibility**

On behalf of the Board of Horse Racing Ireland, I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated in respect of Horse Racing Ireland and each of its subsidiaries. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

## **Purpose of the System of Internal Control**

The system of internal control is designed to manage risk within a clearly articulated risk framework. The system is designed to provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or detected in a timely way.

The trading subsidiaries operate a similar reporting structure in relation to the controls in accordance with the requirement of the Code of Practice for the Governance of State Bodies.

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

The System of Internal 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.
- A comprehensive annual budgeting system, including the annual review and approval by the Board of HRI's budget.
- Regular reviews by the Board of financial reports and key performance activity with performance measured against budgets.
- Clearly defined capital investment control procedures.
- Compliance with purchasing policies and procedures.
- An annual programme of audits performed under the remit of the Audit and Risk Committee.

## **Capacity to Handle Risk**

Horse Racing Ireland's Audit and Risk Committee comprise three Board members and three external members, with financial and audit expertise, one of whom is the Chair. The Audit and Risk Committee met five times in 2017.

Horse Racing Ireland has an outsourced internal audit function which is adequately resourced and conducts a programme of work agreed with the Audit & Risk Committee. The internal audit function reports directly to the Audit and Risk Committee which in turn reports to the Board of Horse Racing Ireland. 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 and Risk Committee on behalf of the Board. In 2017, five separate internal audit reports were presented to the Audit and Risk Committee.

The Audit and Risk Committee has overseen the preparation of a risk management policy which sets out the organisation's risk appetite, the risk management processes and details the roles and responsibilities of staff in relation to risk management. The policy has been issued to all relevant personnel who are required to work within Horse Racing Ireland's risk management policy, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work. A formal process to identify and evaluate organisation business risks is in place. An executive risk management committee meets regularly during the year and reports to the Audit and Risk Committee at each of its meetings.

## **Risk and Control Framework**

Horse Racing Ireland has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks. Corporate and departmental risk registers are in place which identifies the key risks facing Horse Racing Ireland and its subsidiaries and these have been evaluated and graded according to their significance. The corporate register is reviewed and updated by the risk management committee on a quarterly basis. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level. The Board reviews the key corporate risks as a standing item on the agenda and the full corporate register at least once a year.

## STATEMENT ON INTERNAL CONTROL FOR HORSE RACING IRELAND (CONTINUED) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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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 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.
- Establishment of systems aimed at ensuring the security of the information and communication technology systems.
- Implementing control procedures over grant funding to outside agencies to ensure adequate control over approval of grants and monitoring and review of grantees to ensure grant funding has been applied for the purpose intended.
- There is an appropriate budgeting system with an annual budget which is kept under review by senior management.

Brexit has potentially serious impact across the organisation and industry including but not limited to the impact of the sterling euro exchange rate and movement of horses. Horse Racing Ireland is actively involved in ensuring the implications for the industry are communicated to the relevant officials. Horse Racing Ireland is a 33% stakeholder in the redevelopment of the Curragh racecourse due for completion in early 2019. Risks associated with the redevelopment are mitigated by representation on the board of Curragh Racecourse Ltd and by regular reports to the Board of Horse Racing Ireland.

### **Ongoing Monitoring & Review**

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

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

### **Public Spending Code**

I confirm that the Public Spending Code: Expenditure Planning, Appraisal and Evaluation in the Irish Public Service - Standard Rules & Procedures, suitably modified for the circumstances of Horse Racing Ireland, are being complied with.

### **Procurement**

I confirm that Horse Racing Ireland has procedures in place to ensure compliance with current procurement rules and guidelines and that during 2017 Horse Racing Ireland complied with those procedures.

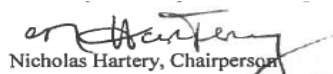
### **Annual Review of Effectiveness**

I confirm that Horse Racing Ireland has procedures to monitor the effectiveness of its risk management and control procedures. The Board conducted an annual review of the effectiveness of internal controls in March 2018. The review was co-ordinated by the Audit and Risk Committee and included a review of:

- The "Review of Systems of Internal Control" self-assessment questionnaire completed by management in relation to the controls that were in operation for their respective areas of responsibility.
- The results of the internal audit programme which audited financial and other controls.
- The management letter prepared by the Office of the Comptroller and Auditor General.
- Key corporate risks.
- The annual report by the Audit and Risk Committee to the Board of Horse Racing Ireland.
- The assurance report by the Internal Audit function to the Board.

No significant breaches or material instances of fraud were identified through these reviews during the year ended 31st December 2017. There were no weaknesses identified in internal control that resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditor's report on the financial statements.

This statement on internal control has been reviewed by the Audit and Risk Committee to ensure that it accurately reflects the control system in operation during the reporting period.

  
Nicholas Hartery, Chairperson

13th September 2018

**GROUP STATEMENT OF INCOME AND EXPENDITURE  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

		2017	2016
	Notes	€'000	€'000
<b>Turnover</b>			
Tote Ireland turnover		99,140	92,854
Income arising from betting		1,483	1,680
Racecourse income	7	13,866	12,996
<b>Total turnover</b>		<b>114,489</b>	<b>107,530</b>
Winnings paid by Tote Ireland	4	(91,966)	(85,791)
Operating costs	4	(19,417)	(18,737)
<b>Direct costs</b>		<b>(111,383)</b>	<b>(104,528)</b>
<b>Income from Racing</b>		<b>3,106</b>	<b>3,002</b>
<b>Other income</b>			
Allocation from the Horse and Greyhound Racing Fund	5	64,000	59,200
Prizemoney contributions from Owners and Sponsors	9	21,182	20,428
Foal levy	6	2,142	1,855
Media income		6,521	5,887
Registrations income		2,453	2,409
Industry services income		365	488
Other income	8	618	618
Industry contributions to Irish Thoroughbred Marketing		476	471
Interest income	14	347	325
<b>Net income</b>		<b>101,210</b>	<b>94,683</b>
<b>Expenditure</b>			
Contributions to prizemoney	9	41,236	37,324
Prizemoney contributions from Owners and Sponsors	9	21,182	20,428
Industry support schemes		1,241	819
Integrity and racecourse services	10	11,440	10,479
Racecourse schemes	12	1,047	1,234
Capital development fund grants	12	12,062	2,270
Capital development fund interest and expenses		725	416
Grants / Fees to industry bodies	11	2,916	2,715
Foal levy distribution	6	1,370	1,320
Other expenditure		441	743
Fair value movements of investment properties	17	(400)	1,690
Horse Racing Ireland administration costs	14	6,926	6,279
Irish Thoroughbred Marketing expenditure		1,825	1,973
General marketing and promotions		2,054	2,015
		<b>104,065</b>	<b>89,705</b>
Share of operating loss of associate	16	(1,118)	(207)
Other finance expense		(214)	(228)
Taxation	13	(372)	282
<b>(Deficit) / Surplus</b>	14	<b>(4,559)</b>	<b>4,825</b>

**GROUP STATEMENT OF INCOME AND EXPENDITURE (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	€'000	€'000
(Deficit) / Surplus for the financial year	(4,559)	4,825
<i>(Deficit) / Surplus attributable to:</i>		
Horse Racing Ireland Group	(4,566)	4,822
Non-controlling interest	7	3
	(4,559)	4,825

The result on ordinary activities arises solely from continuing activities.  
Notes 1 to 39 form part of these financial statements.

  
Nicholas Hartery  
Chairperson

  
Meta Osborne  
Board Member

13th September 2018  
Date

**GROUP STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 €'000	2016 €'000
(Deficit) / Surplus for the financial year		(4,559)	4,825
Actuarial gain / (loss) recognised in the pension scheme	28	2,443	(2,750)
Share of comprehensive profit / (loss) of associate	16	60	(81)
<b>Total comprehensive (expenditure) / income for the financial year</b>		<b>(2,056)</b>	<b>1,994</b>
 <i>Total comprehensive (expenditure) / income attributable to:</i>			
Horse Racing Ireland Group		(2,063)	1,991
Non-controlling interest		7	3
		<b>(2,056)</b>	<b>1,994</b>

Notes 1 to 39 form part of these financial statements.

**GROUP STATEMENT OF CHANGES IN RESERVES AND CAPITAL ACCOUNT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Revenue Reserves						
	Other Comprehensive Income	I & E Reserves	Establishment Reserve	Non Distributable Reserves	Capital Reserves	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Current financial year</b>						
At 1 January 2017	(16,609)	71,064	17,183	6,875	17,726	96,239
Retained loss	-	(4,559)	-	-	-	(4,559)
Transfer to/(from) reserves	-	(1,270)	-	-	1,270	-
Non-controlling interest	-	(7)	-	-	-	(7)
Other comprehensive gain	60	-	-	-	-	60
Actuarial gain	2,443	-	-	-	-	2,443
At 31 December 2017	(14,106)	65,228	17,183	6,875	18,996	94,176
<b>Prior financial year</b>						
At 1 January 2016	(13,778)	68,333	17,183	6,875	15,635	94,248
Retained surplus	-	4,825	-	-	-	4,825
Transfer to/(from) reserves	-	(2,091)	-	-	2,091	-
Non-controlling interest	-	(3)	-	-	-	(3)
Other comprehensive loss	(81)	-	-	-	-	(81)
Actuarial loss	(2,750)	-	-	-	-	(2,750)
At 31 December 2016	(16,609)	71,064	17,183	6,875	17,726	96,239
<b>Equity</b>						
				Total Establishment and Other Reserves €'000	Non- controlling Interest €'000	Total Equity €'000
<b>Current financial year</b>						
At 1 January 2017				96,239	5	96,244
Retained loss				(4,559)	-	(4,559)
Transfer to/(from) reserves				-	-	-
Non-controlling interest				(7)	7	-
Other comprehensive gain				60	-	60
Actuarial gain				2,443	-	2,443
At 31 December 2017				94,176	12	94,188
<b>Prior financial year</b>						
At 1 January 2016				94,248	2	94,250
Retained surplus				4,825	-	4,825
Transfer to/(from) reserves				-	-	-
Non-controlling interest				(3)	3	-
Other comprehensive loss				(81)	-	(81)
Actuarial loss				(2,750)	-	(2,750)
At 31 December 2016				96,239	5	96,244

Notes 1 to 39 form part of these financial statements.



**HORSE RACING IRELAND**  
**STATEMENT OF CHANGES IN RESERVES AND CAPITAL ACCOUNT**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Revenue Reserves						
	Other Comprehensive Income	I & E Reserves	Establishment Reserve	Non Distributable Reserves	Capital Reserves	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000	€'000
<i>Current financial year</i>						
At 1 January 2017	(16,528)	31,901	9,592	6,875	17,726	49,566
Retained loss	-	(3,202)	-	-	-	(3,202)
Transfer to/(from) reserves	-	(1,270)	-	-	1,270	-
Actuarial gain	2,443	-	-	-	-	2,443
At 31 December 2017	(14,085)	27,429	9,592	6,875	18,996	48,807
<i>Prior financial year</i>						
At 1 January 2016	(13,778)	31,371	9,592	6,875	15,635	49,695
Retained surplus	-	2,621	-	-	-	2,621
Transfer to/(from) reserves	-	(2,091)	-	-	2,091	-
Actuarial loss	(2,750)	-	-	-	-	(2,750)
At 31 December 2016	(16,528)	31,901	9,592	6,875	17,726	49,566

Notes 1 to 39 form part of these financial statements.

**GROUP**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Notes	2017 €'000	2016 €'000
<b>Fixed assets</b>			
Tangible assets	15	74,001	73,215
Financial assets	16	48,603	27,939
Investment properties	17	11,700	11,300
Negative goodwill	18	(2,331)	(2,680)
		<b>131,973</b>	<b>109,774</b>
<b>Current assets</b>			
Debtors	19	9,187	8,197
Cash at bank	20	21,556	40,399
		<b>30,743</b>	<b>48,596</b>
<b>Creditors: Amounts falling due within one year</b>	21	45,915	42,027
<b>Net current (liabilities) / assets</b>		<b>(15,172)</b>	<b>6,569</b>
<b>Total assets less current liabilities</b>		<b>116,801</b>	<b>116,343</b>
<b>Creditors: Amounts falling due after one year</b>	22	13,025	6,027
Provision for liabilities	24	1,371	1,325
Pension liability	28	8,217	12,747
<b>Net assets</b>		<b>94,188</b>	<b>96,244</b>
<b>Capital and reserves</b>			
Establishment reserve	26	17,183	17,183
Revenue reserves	27	51,122	54,455
Non-distributable reserves	27	6,875	6,875
Capital reserves	27	18,996	17,726
<b>Capital and reserves attributable to Group</b>		<b>94,176</b>	<b>96,239</b>
Non-controlling interest	29	12	5
<b>Total capital and reserves</b>		<b>94,188</b>	<b>96,244</b>

Notes 1 to 39 form part of these financial statements.

  
Nicholas Hartery  
Chairperson

  
Meta Osborne  
Board Member

13th September 2018  
Date

**HORSE RACING IRELAND**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Notes	2017 €'000	2016 €'000
<b>Fixed assets</b>			
Tangible assets	15	20,745	19,484
Financial assets	16	51,500	29,778
Investment properties	17	4,600	4,250
		<b>76,845</b>	<b>53,512</b>
<b>Current assets</b>			
Debtors	19	20,667	21,043
Cash at bank	20	12,858	33,375
		<b>33,525</b>	<b>54,418</b>
<b>Creditors: Amounts falling due within one year</b>	21	40,346	39,617
<b>Net current (liabilities) / assets</b>		<b>(6,821)</b>	<b>14,801</b>
<b>Total assets less current liabilities</b>		<b>70,024</b>	<b>68,313</b>
<b>Creditors: Amounts falling due after one year</b>	22	13,000	6,000
Pension liability	28	8,217	12,747
<b>Net assets</b>		<b>48,807</b>	<b>49,566</b>
<b>Capital and reserves</b>			
Establishment reserve	26	9,592	9,592
Revenue reserves	27	13,344	15,373
Non-distributable reserves	27	6,875	6,875
Capital reserves	27	18,996	17,726
<b>Total capital and reserves</b>		<b>48,807</b>	<b>49,566</b>

Notes 1 to 39 form part of these financial statements.

  
 Nicholas Hartery  
 Chairperson

  
 Meta Osborne  
 Board Member

13th September 2018  
 Date

**GROUP STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 €'000	2016 €'000
<b>Net cash (outflows) / inflows from operating activities</b>	32	<b>(440)</b>	<b>12,393</b>
<b>Cash flows from investing activities</b>			
Receipts from sale of tangible fixed assets		38	30
Payments to acquire tangible fixed assets		(3,968)	(3,648)
Investment in associate undertakings		(11,750)	-
Receipts from financial asset loans		265	312
Loans to racecourses and industry bodies		(87)	(121)
Purchase of unlisted investments - net		(9,986)	(7,495)
Sale of listed investments - net		-	2,018
Interest received		293	324
<b>Net cash flows from investing activities</b>		<b>(25,195)</b>	<b>(8,580)</b>
<b>Cash flows from financing activities</b>			
Loans in the period		10,000	-
Bank loan repayment		(3,000)	(3,000)
Interest paid		(208)	(222)
<b>Net cash flows from financing activities</b>		<b>6,792</b>	<b>(3,222)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(18,843)</b>	<b>591</b>
Cash and cash equivalents at beginning of financial year	33	40,399	39,808
<b>Cash and cash equivalents at end of financial year</b>	33	<b>21,556</b>	<b>40,399</b>

Notes 1 to 39 form part of these financial statements.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies**

The following accounting policies are applied consistently in dealing with items which are considered material in relation to the Group's and Parent's financial statements.

**General Information and Basis of Accounting**

Horse Racing Ireland is the national authority for thoroughbred horse racing in Ireland, with responsibility for the governance, development and promotion of the industry under the Horse and Greyhound Racing Act 2001, as updated for the Horse and Greyhound Racing Act 2016.

*Statement of Compliance*

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value in accordance with generally accepted accounting practice, including Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council as promulgated by Chartered Accountants Ireland.

The unit of currency in which the financial statements are presented in is Euro.

The subsidiary companies all meet the definition of a qualifying entity under FRS 102 and have therefore availed of the disclosure exemptions available to them in respect of the Company financial statements. Permitted FRS102 disclosure exemptions have been taken in the Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of Horse Racing Ireland and all of its subsidiaries during the financial year.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**Turnover**

Turnover excludes inter group transactions with Group subsidiaries. Tote Ireland turnover represents the sum of wagers placed into Tote Ireland pools on Irish horse racing during the period for both cash and credit bets and the commissions accruing to Tote Ireland on bets placed through Tote Ireland into Tote pools operated by Totalisators in foreign jurisdictions. Betting income represents a levy charged to on-course bookmakers and on-course betting shops, based on their on-course turnover, pitch fees charged to on-course bookmakers and registration fees charged to on-course bookmakers on transfer of seniority on pitches. Racecourse income represents income received from the provision of racing and golfing activities and related activities and from income earned on the rental of the racecourse's facilities. Turnover is accounted for on an accruals basis.

Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the interest income can be measured reliably. For loans not repayable on demand the effective interest rate method is used.

Rental income arising on investment property is accounted for on a straight line basis over the lease term. Where there is a doubt over collectability amounts due are provided for in full.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies (continued)**

**Foal levy income**

Foal levy income is recognised on a cash receipts basis.

**Contribution to prizemoney**

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

Contributions to prizemoney 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 prizemoney 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.

**Grants and racecourse incentive schemes**

***Grants paid***

Capital development grants paid to racecourses under the capital development scheme are accounted for using the accruals model.

These grants are treated as a deferred credit in the Statements of Financial Position 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 to reflect the Group position.

***Grants received***

State grants are credited to income when cash has been received from the State.

**Operating leases**

Rental expenditure under operating leases is recognised in the Statement of Income and Expenditure over the life of the lease. Expenditure is recognised on a straight-line basis over the lease period.

Rental income arising on operating leases is accounted for on a straight-line basis over the lease term of the ongoing leases.

***Operating lease incentives***

Operating lease incentives granted as a reduction against rental income are recognised over the lease term on a straight-line basis.

**Finance leases / hire purchase agreements**

The capital cost of assets acquired under finance leases / hire purchase agreements is included under tangible assets and written off over the shorter of the lease / agreement term or the estimated useful life of the asset. The capital elements of future lease obligations are recorded as liabilities. Interest on the remaining obligation is charged to the Statement of Income and Expenditure over the period of the lease / agreement. This charge is calculated so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

**Exceptional items**

In order to highlight significant items within the Group result for the year, the Group include significant items as exceptional items within the Statement of Income and Expenditure. Such items may include: impairment of assets, litigation settlements and profit or loss on disposal of investments. Judgement is used by management in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the Statement of Income and Expenditure and notes as exceptional items.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies (continued)**

**Taxation and deferred tax**

The yearly charge for taxation is based on the profit for the financial year and is calculated with reference to the tax rates applying at the Statement of Financial Position date.

Deferred tax is calculated on the differences between the subsidiary company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Full provision for deferred tax assets and liabilities is made at tax rates that are expected to apply on reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to the sale of the asset.

A net deferred asset is regarded as recoverable and recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and provisions for impairment in value, except for land which is stated at cost less impairment. Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset systematically over its estimated useful life, on the straight-line basis, at the following annual rates:

Land	Nil
Buildings	2% - 10%
Track Enhancements	2% - 12.5%
Plant, Equipment, Fixtures & Vehicles	3% - 33%

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The carrying values of tangible fixed assets are reviewed for impairment in accounting periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Assets under construction are not depreciated until the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

All capitalised software is recognised as a fixed asset.

**Investment properties**

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Income and Expenditure.

Rental income arising on investment property is accounted for on a straight-line basis over the lease term of the ongoing leases.

**Reserves**

The establishment and non-distributable reserves may only be used for a limited number of purposes.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies (continued)**

**Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Cash and cash equivalents*

Cash consists of cash on hand, demand deposits and short term fixed deposits. Cash equivalents consist of short term highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of change in value.

*Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is:
  - (i) a fixed amount;
  - (ii) a positive fixed rate or a positive variable rate; or
  - (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principle or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that:
  - (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than:
    - (1) a change of a contractual variable rate;
    - (2) to protect the holder against credit deterioration of the issuer;
    - (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law;
  - (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).



**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies (continued)**

**Financial instruments (continued)**

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when:

- (a) the contractual rights to the cash flows from the financial asset expire or are settled;
- (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*Investments*

Investments in non-puttable ordinary shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value with changes in fair value recognised through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

*Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated using a valuation technique.

**Investments in subsidiaries and racecourses**

Investments in subsidiaries and racecourses are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for relief from the recognition of share premium, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

**Acquisitions**

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition. On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable asset and liabilities acquired, the difference is treated as purchased goodwill. Where the fair value of the separable net assets acquired exceeds the fair value of the consideration given, the difference is treated as negative goodwill. Negative goodwill is accounted for as indicated below.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**1. Accounting Policies (continued)**

**Investment in associate**

An associate is an entity over which Horse Racing Ireland has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. In the Group financial statements and pursuant to the equity method, the investment in an associate will be initially recorded at cost and its carrying amount will be increased or decreased to recognise their share of profit or loss and other comprehensive income generated by the entity.

When the Groups share of losses of an associate exceeds the Groups interest in that associate (which includes any long-term interests that, in substance, form part of the group net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

In the Parents financial statements investments in associates are accounted for at cost less impairment.

**Negative Goodwill**

Negative goodwill arising on acquisitions is amortised to the Statement of Income and Expenditure account over the financial year in which the non-monetary assets are realised either through depreciation or sale. Negative goodwill comprises the excess of the fair value of the assets acquired over the consideration.

**Pensions**

Horse Racing Ireland has both defined contribution and defined benefit pension schemes.

*Defined contribution schemes*

Payments to the defined contribution schemes are charged to the Statement of Income and Expenditure in the period to which they relate.

*Defined benefit schemes*

For the defined benefit scheme operated by Horse Racing Ireland, pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. An excess of scheme liabilities over scheme assets is presented on the Statement of Financial Position 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 Comprehensive Income for the financial year in which they occur.

The pension charge in the Statement of Income and Expenditure comprises the current service cost and past service cost plus the difference between the interest income on scheme assets based on the discount rate and the interest cost on the scheme liabilities.

**Judgements and key sources of estimation uncertainty**

The members consider the accounting estimates and assumptions below to be its critical accounting estimates and judgements:

*Going concern*

The members have reviewed and approved budgets and cash flows for the next financial year which demonstrate that there is no material uncertainty regarding the Group's ability to meet its liabilities as they fall due, and to continue as a going concern. On this basis the members consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**1. Accounting Policies (continued)**

**Judgements and key sources of estimation uncertainty (continued)**

*Useful lives of tangible fixed assets*

The annual depreciation charge depends primarily on the estimated lives of each type of asset. The useful lives are reviewed by management on a regular basis and changed, if necessary, to reflect current conditions. In determining these useful lives management consider technological change, patterns of consumption, physical condition and expected economic utilisation of the assets. Changes in the useful lives can have a significant impact on the depreciation charge for the financial year. The depreciation policy reported in these financial statements is approved by the Members and is reviewed annually, in conjunction with the approval of the Financial Statements. The net book value of tangible fixed assets subject to depreciation was €54.095m (2016: €53.510m).

*Retirement benefit obligations*

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined with input from the actuary and are updated annually based on current economic conditions.

*Valuation of investment property*

Investment properties were valued at €11.700m at 31 December 2017 and included an increase in value of €0.400m during 2017. Significant assumptions were applied in the valuation of investment properties. These assumptions applied to size, location, terms, covenant and other material factors.

*Financial instruments*

For the financial instruments held at fair value through profit or loss, fair values are marked at prices quoted in an active market. Other financial instruments are valued using a discounted cash flow analysis which is based on assumptions supported, where possible, by observable market prices although some assumptions are not supported by observable market prices or rates.

*Impairment of tangible assets*

Determining whether tangible assets are impaired requires an estimation of their value in use to the Group. The value in use calculation requires the management to estimate the future cash flows expected to arise from the tangible asset and a suitable discount rate in order to calculate present value.

**2. Employee numbers**

The average number of persons employed by the Group was as set out below:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
HRI - Full time staff	98	94
HRI - Raceday casual staff (Full time equivalents)	6	7
	<hr/> 104	<hr/> 101
HRI Subsidiaries - Full time staff	96	93
HRI Subsidiaries - Raceday casual staff (Full time equivalents)	39	52
	<hr/> 135	<hr/> 145
	<hr/> 239	<hr/> 246

The average number of individual casual employees that worked in 2017 was 268 (2016: 286).

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**3. Employee remuneration**

The aggregate payroll cost of the employees, excluding pension costs, detailed above was as follows:

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Wages and salaries	11,596	11,167
Employer's social welfare costs	1,167	1,108
	<u>12,763</u>	<u>12,275</u>

*Analysed as follows:*

Capitalised into assets	346	328
Expensed in financial year	12,417	11,947
	<u>12,763</u>	<u>12,275</u>

Included in the above figure is an amount in respect of payments paid and accrued in 2017 under a restructuring, redundancy and other programs of €0.169m (2016: €0.222m). Also included within the figure for wages & salaries are amounts relating to overtime €0.127m (2016: €0.149m) and allowances €0.071m (2016: €0.050m).

*Remuneration and benefits paid to key management was as follows:*

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Remuneration and other benefits	<u>1,143</u>	<u>1,047</u>

The above figure includes remuneration and benefits paid and accrued in 2017. Key management includes the Chief Executive Officer and senior management.

Horse Racing Ireland does not disclose details of the number of employees whose total employee benefits (excluding pension costs) for the reporting period fell within each band of €25,000 from €50,000 upwards due to the commercial sensitivity of this information. This departure from the Code has been agreed with the Department of Agriculture, Food and the Marine.

**4. Direct costs**

	<b>Winnings paid on bets</b>		<b>Operating costs</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Betting collection costs	-	-	341	342	341	342
Tote Ireland	91,966	85,791	6,301	6,073	98,267	91,864
HRI Racecourses Group	-	-	12,775	12,322	12,775	12,322
	<u>91,966</u>	<u>85,791</u>	<u>19,417</u>	<u>18,737</u>	<u>111,383</u>	<u>104,528</u>

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**5. Allocation from the Horse and Greyhound Racing Fund**

Horse Racing Ireland with a registered office at Ballymany, The Curragh, Co. Kildare was established on 18 December 2001, under the Horse and Greyhound Racing Act 2001. A fund was established 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 and Greyhound Fund Regulations, most recently in 2017. The general functions of Horse Racing Ireland are set out in the Irish Horseracing Industry Act 1994 and the Horse and Greyhound Act 2001. In 2017, €64.0m was allocated to Horse Racing Ireland (2016: €59.2m).

**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 Agriculture, Food and the Marine, charge a levy on all thoroughbred foals registered in a stud book.

This levy is collected by Weatherbys on behalf of Horse Racing Ireland at variable rates and the distribution is based on recommendations from the Foal Levy Committee (as defined in the Act) and approved by the Board of Horse Racing Ireland.

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Balance on hand at 1 January	536	416
Collected during the financial year	2,142	1,855
<b><u>Expenditure in the year:</u></b>		
Irish Equine Centre	(870)	(850)
Irish Thoroughbred Breeders' Association	(425)	(415)
Irish Thoroughbred Marketing	(425)	(415)
Others	(75)	(55)
	(1,795)	(1,735)
Balance on hand at 31 December (included in revenue reserves)	883	536

Irish Thoroughbred Marketing expenditure of €425,000 (2016: €415,000) is eliminated on consolidation and shown under Irish Thoroughbred Marketing expenditure in the Group Statement of Income and Expenditure Account.

**7. Racecourse income / costs**

In 2017, racecourse income / costs excludes the fair value movement of investment properties showing an increase of €0.050m (2016: decrease of €1.740m) which were valued at the financial year end by Knight Frank. See Note 17 for more information.

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Negative goodwill amortisation (Note 18)	349	349
HRI lease income	269	269
	618	618

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>9. Contributions to prizemoney</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
From Sponsors	7,265	6,827
From Owners	13,917	13,601
	<u>21,182</u>	<u>20,428</u>
From Horse Racing Ireland	41,236	37,324
	<u>62,418</u>	<u>57,752</u>

This relates to contributions to prizemoney under the Rules of Racing and Point to Points.

**10. Integrity and 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 the funding to the Racing Regulatory Body in order to meet the costs of providing such services as laid out in Part III, paragraph 42 of the 1994 Act. Included in the Grants to Turf Club are the costs associated with National Hunt Integrity Services.

Horse Racing Ireland directly funds Racecourse Service costs for patrol camera, starting stalls and photo finish, which were functions transferred to Horse Racing Ireland from the Turf Club under the Horse and Greyhound Racing Act 2001.

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Grant to Turf Club in relation to Racing Integrity Services	7,482	6,745
Grant to Turf Club in relation to Point to Point Integrity Services	686	573
Total Grant paid to the Turf Club	<u>8,168</u>	<u>7,318</u>
Racecourse services funded by Horse Racing Ireland	3,272	3,161
Total cost of Integrity and Racecourse services funded by Horse Racing Ireland	<u>11,440</u>	<u>10,479</u>

In addition to the above, Horse Racing Ireland makes deductions from client accounts for amounts due to the Turf Club in respect of license renewals, appeal costs, commissions on stable bonus, sampling fees and certain charitable funds. The amounts deducted and paid over are not reflected in Horse Racing Ireland's Statement of Income and Expenditure and amounted to €1.187m in 2017 (€0.384m in 2016).

The Irish Horseracing Regulatory Board has been established to assume the activities of the Racing Regulatory Body and as from 1 January 2018 is the regulatory body for all horseracing in Ireland.

**11. Grants / Fees to industry bodies**

Grants / Fees paid to industry bodies are analysed as follows:

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Irish Equine Centre	1,320	1,135
Racing Academy and Centre of Education	710	710
Order of Malta	448	501
Blue Cross	253	201
Other Industry Bodies	185	168
	<u>2,916</u>	<u>2,715</u>

In 2017, HRI advanced loans totalling €0.087m (2016: €0.124m) to the Irish Equine Centre. As at 31 December 2017, total loans outstanding from the Irish Equine Centre amounted to €1.162m (2016: €1.075m). This balance is included in Note 19 Debtors: Amounts falling due within one year. Since 2013, HRI has appointed four directors to the Board of the Irish Equine Centre, including the Chair.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**12. Racecourse schemes and capital grants**

<i>Racecourse schemes</i>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Levy, pitch fee and other payments to racecourses	962	1,111
Tote percentage betting payments	85	123
	<u>1,047</u>	<u>1,234</u>

The payments made under the above racecourse schemes relate to third party owned racecourses only.

<i>Capital grants</i>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Capital development fund grants	12,062	2,270

The Board of Horse Racing Ireland established a new capital development scheme for racecourses commencing in 2015. Under this scheme Horse Racing Ireland provides up to a maximum of 40% funding with the balance being funded by the racecourses. These grants are charged directly to the Statement of Income and Expenditure and the payments relate to payments made to third party owned racecourses only.

**13. Taxation**

**(A) Analysis of charge / (credit) in the financial year**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current tax:</b>		
Corporation tax	326	244
<b>Deferred tax:</b>		
Origination and reversal of timing differences (Note 24)	46	(526)
<b>Tax on profit on ordinary activities</b>	<u>372</u>	<u>(282)</u>

**(B) Reconciliation between tax charge / (credit) included in profit and loss and profit on ordinary activities before tax of taxable entities multiplied by the applicable tax rate:**

The tax assessed for the financial year is different to the standard rate of corporation tax in Ireland (12.5 per cent).

The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Profit on ordinary activities before taxation</b>	<u>2,304</u>	<u>130</u>
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in Ireland of 12.5% (2016: 12.5%)	288	16
<i>Effect of:</i>		
Non deductible expenses	19	233
Non allowable income	(129)	(134)
Depreciation in excess of capital allowances	153	150
Income taxable at higher rate	51	45
Losses utilised on current period basis - Case 1	(56)	(66)
<b>Current tax charge for financial year</b>	<u>326</u>	<u>244</u>

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**13. Taxation (continued)**

The activities of Horse Racing Ireland, Irish Thoroughbred Marketing Limited and Tote Ireland Limited are exempt from corporation tax under the provisions of Section 220 of the Taxes Consolidation Act 1997. The profit on ordinary activities before taxation relates to taxable profits in HRI owned racecourses.

A deferred tax asset of €98,000 (2016: €145,000) has not been recognised in the financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

<b>14. (Deficit) / Surplus for the financial year</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<i>(Deficit) / Surplus for the financial year has been arrived at after charging:</i>		
Depreciation		
Owned tangible fixed assets	3,163	3,002
Auditors' remuneration: Audit of group financial statements	96	88
Capital development fund interest	208	222
Loss on disposal of assets	1	-
Operating lease rentals	108	113
Fair value movements of investment properties	-	1,690
Consultancy costs	(i) 1,001	754
Legal fees and settlements	(ii) 184	130
Travel and subsistence	(iii) 833	771
Hospitality	(iv) 315	359
<i>and after crediting:</i>		
Interest receivable on deposits	260	335
Effective interest on loans	87	(10)
Negative goodwill amortisation	349	349
Gain on disposal of assets	20	18
Fair value movements of investment properties	400	-



**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**14. (Deficit) / Surplus for the financial year (continued)**

Horse Racing Ireland administration costs comprise the following:	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Running costs of departments - pay and non-pay	5,517	5,071
Pension costs	403	234
Building running costs	1,006	974
	<u>6,926</u>	<u>6,279</u>

The remuneration package of the Chief Executive of Horse Racing Ireland was as follows:	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Basic salary	191	191
Pension contributions and other taxable benefits	56	57
	<u>247</u>	<u>248</u>

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>(i) Consultancy costs</b>		
Legal advice	69	199
Financial / actuarial advice	114	106
Internal audit	59	50
Capital Development Scheme	310	54
Pension Advice / Consultancy	199	168
Public relations / marketing	122	91
IT Consultancy	38	30
Other	90	56
<b>Total consultancy costs</b>	<u><b>1,001</b></u>	<u><b>754</b></u>

<b>(ii) Legal fees and settlements</b>		
Legal fees - legal proceedings	384	130
Conciliation and arbitration payments	(200)	-
Settlements	-	-
<b>Total legal fees and settlements</b>	<u><b>184</b></u>	<u><b>130</b></u>

<b>(iii) Travel and subsistence</b>		
Domestic - Board and committee members	27	29
Domestic - Employees	615	582
International - Board and committee members	4	4
International - Employees	187	156
<b>Total travel and subsistence</b>	<u><b>833</b></u>	<u><b>771</b></u>

<b>(iv) Hospitality</b>		
Staff hospitality	36	32
Client hospitality	279	327
<b>Total hospitality</b>	<u><b>315</b></u>	<u><b>359</b></u>

The above costs reflect the total spend for Horse Racing Ireland and all subsidiary undertakings. Consultancy costs include the cost of external advice to management.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**14. (Deficit) / Surplus for the financial year (continued)**

<b>Horse Racing Ireland Group Board Members' fees and expenses were as follows:</b>		<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
		<b>Fees</b>	<b>Mileage</b>	<b>Fees</b>	<b>Mileage</b>
		<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Joe Keeling	Retired 24 May 2018	-	-	-	-
Bernard Caldwell	Appointed 18 December 2008	13	1	13	1
James Gough	Appointed 4 March 2015	13	3	13	2
Michael Halford	Appointed 26 May 2016	13	-	8	-
Elizabeth Headon	Appointed 10 November 2016	13	1	2	-
Harry McCalmont	Appointed 19 December 2016	13	2	-	-
John Moloney	Appointed 18 December 2010	13	4	13	3
Robert Nixon	Appointed 31 August 2016	13	2	4	1
Peter Nolan	Appointed 10 November 2016	13	1	2	-
Meta Osborne	Appointed 18 December 2013	13	1	13	1
John Powell	Appointed 26 May 2016	13	1	8	1
Noel Cloake	Retired 28 March 2018	13	1	13	1
William Flood	Retired 18 December 2016	-	-	13	2
Michael Hickey	Retired 26 May 2016	-	-	5	-
Francis Hyland	Retired 26 January 2018	13	1	13	1
Noel Meade	Retired 26 May 2016	-	-	5	-
Eimear Mulhern	Retired 26 January 2018	13	1	13	1
Jim Nicholson	Retired 31 August 2016	-	-	8	1
		169	19	146	15

<b>Horse Racing Ireland Group Board Members' attendance at meetings during 2017 was as follows:</b>		<b>Board</b>	<b>Board</b>	<b>Total no. of</b>	<b>Total no. of</b>
		<b>Meetings</b>	<b>Meetings</b>	<b>Board &amp; Other</b>	<b>Board &amp; Other</b>
			<b>Attended</b>	<b>Committee</b>	<b>Committee</b>
				<b>Meetings</b>	<b>Meetings</b>
					<b>Attended</b>
Joe Keeling	Retired 24 May 2018	9	9	25	24
Bernard Caldwell		9	9	30	27
James Gough		9	9	25	23
Michael Halford		9	9	22	19
Elizabeth Headon		9	9	10	10
Harry McCalmont		9	8	17	16
John Moloney		9	8	20	19
Robert Nixon		9	8	9	8
Peter Nolan		9	9	12	12
Meta Osborne		9	8	23	22
John Powell		9	7	9	7
Noel Cloake	Retired 28 March 2018	9	9	13	13
Francis Hyland	Retired 26 January 2018	9	9	11	11
Eimear Mulhern	Retired 26 January 2018	9	7	23	15

The total number of meetings attended includes Board Members' attendance at meetings of the Horse Racing Ireland Board and other statutory / advisory committees.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**15. Tangible assets**

<b>Group</b>	<b>Land &amp; Buildings</b>	<b>Plant, Equipment, IT Development &amp; Vehicles</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b><i>Cost and valuation</i></b>			
At 1 January 2017	93,881	32,699	126,580
Additions	1,304	2,664	3,968
Disposals	(19)	(53)	(72)
At 31 December 2017	95,166	35,310	130,476
<b><i>Accumulated Depreciation</i></b>			
At 1 January 2017	32,082	21,283	53,365
Charge for the financial year	1,450	1,713	3,163
Disposals	(4)	(49)	(53)
At 31 December 2017	33,528	22,947	56,475
<b><i>Net book value</i></b>			
At 31 December 2017	61,638	12,363	74,001
At 31 December 2016	61,799	11,416	73,215
<b>Group - in respect of prior financial year</b>			
	<b>Land &amp; Buildings</b>	<b>Plant, Equipment, IT Development &amp; Vehicles</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b><i>Cost and valuation</i></b>			
At 1 January 2016	92,379	31,012	123,391
Additions	1,502	2,146	3,648
Disposals	-	(459)	(459)
At 31 December 2016	93,881	32,699	126,580
<b><i>Accumulated Depreciation</i></b>			
At 1 January 2016	30,656	20,154	50,810
Charge for the financial year	1,426	1,576	3,002
Disposals	-	(447)	(447)
At 31 December 2016	32,082	21,283	53,365
<b><i>Net book value</i></b>			
At 31 December 2016	61,799	11,416	73,215
At 31 December 2015	61,723	10,858	72,581

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**15. Tangible assets (continued)**

<b>Horse Racing Ireland</b>	<b>Land &amp; Buildings</b>	<b>Plant, Equipment, IT Development &amp; Vehicles</b>	<b>Total</b>
<i>Cost and valuation</i>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 1 January 2017	23,026	6,416	29,442
Additions	280	1,691	1,971
Disposals	(19)	(48)	(67)
At 31 December 2017	23,287	8,059	31,346
<i>Accumulated Depreciation</i>			
At 1 January 2017	6,297	3,661	9,958
Charge for the financial year	117	579	696
Disposals	(4)	(49)	(53)
At 31 December 2017	6,410	4,191	10,601
<i>Net book value</i>			
At 31 December 2017	16,877	3,868	20,745
At 31 December 2016	16,729	2,755	19,484

**Horse Racing Ireland - in respect of prior financial year**

<b>Horse Racing Ireland - in respect of prior financial year</b>	<b>Land &amp; Buildings</b>	<b>Plant, Equipment, IT Development &amp; Vehicles</b>	<b>Total</b>
<i>Cost and valuation</i>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 1 January 2016	23,025	5,713	28,738
Additions	1	1,116	1,117
Disposals	-	(413)	(413)
At 31 December 2016	23,026	6,416	29,442
<i>Accumulated Depreciation</i>			
At 1 January 2016	6,182	3,575	9,757
Charge for the financial year	115	492	607
Disposals	-	(406)	(406)
At 31 December 2016	6,297	3,661	9,958
<i>Net book value</i>			
At 31 December 2016	16,729	2,755	19,484
At 31 December 2015	16,843	2,138	18,981

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

16. Financial assets		2017	2016
	Note	€'000	€'000
<b>Group</b>			
Loans to racecourses	(A)	1,174	1,304
Loans to associate undertaking	(D)	860	942
Investment in racecourse	(B)	1	1
Investment in associate	(B)	12,904	2,212
Unlisted investments	(B)	22,476	12,490
Listed investments	(B)	11,188	10,990
		48,603	27,939
<b>Horse Racing Ireland</b>			
Loans to racecourses	(A)	1,174	1,304
Loans to associate undertaking	(D)	860	942
Investment in racecourse	(B)	1	1
Investment in associate	(B)	14,250	2,500
Unlisted investments	(B)	22,476	12,490
Listed investments	(B)	11,188	10,990
Investment in subsidiary undertakings	(C)	1,551	1,551
		51,500	29,778

**(A) Loans to racecourses - Group**

	Fair value through profit or loss €'000	Cost less Impairment €'000	Total €'000
<b>Current financial year</b>			
At 1 January 2017	1,304	-	1,304
Repayments	(165)	-	(165)
Conversion of debt to investment in associate	-	-	-
Transfers to Loans to associate undertaking	-	-	-
Gain on fair value movement	35	-	35
At 31 December 2017	1,174	-	1,174
<b>Prior financial year</b>			
At 1 January 2016	2,558	2,500	5,058
Repayments	(165)	-	(165)
Conversion of debt to investment in associate	-	(2,500)	(2,500)
Transfers to Loans to associate undertaking	(1,027)	-	(1,027)
Loss on fair value movement	(62)	-	(62)
At 31 December 2016	1,304	-	1,304

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**16. Financial assets (continued)**

<b>(A) Loans to racecourses - Horse Racing Ireland</b>	<b>Fair value through profit or loss €'000</b>	<b>Cost less Impairment €'000</b>	<b>Total €'000</b>
<b>Current financial year</b>			
At 1 January 2017	1,304	-	1,304
Repayments	(165)	-	(165)
Gain on fair value movement	35	-	35
At 31 December 2017	1,174	-	1,174
<b>Prior financial year</b>			
At 1 January 2016	2,558	2,500	5,058
Repayments	(165)	-	(165)
Conversion of debt to investment in associate	-	(2,500)	(2,500)
Transfers to Loans to associate undertaking	(1,027)	-	(1,027)
Loss on fair value movement	(62)	-	(62)
At 31 December 2016	1,304	-	1,304

Loans to racecourses, which is at fair value through profit or loss, constitute financing transactions and are measured at the present value of the future cash flows, discounted at a market rate of interest. Included in loans to racecourses are:

- a loan to Blackhall Racing Company, Punchestown Development Company Limited and Punchestown Enterprises Company Limited measured to €1.069m (2016: €1.188m). The maturity date of the loan is 30 November 2025 and interest is charged at a rate of 3 month Euribor plus 1%.
- a loan to Gowran Park Race Company Limited measured to €0.105m (2016: €0.116m). The maturity date of the loan is 31 March 2025 and interest is charged at a rate of ECB plus 1%.

Horse Racing Ireland has an investment in an associate, Curragh Racecourse Limited. In 2015, HRI advanced €2.5m in anticipation of investment funding which was subject to capital appraisal. This was initially recognised as a loan and carried at amortised cost in the consolidated accounts of Horse Racing Ireland. The capital appraisal was completed in 2016. During 2016 this loan was converted into a 33% shareholding in Curragh Racecourse Limited. This equity holding has been reflected as an investment in associate in the Horse Racing Ireland Parent and Horse Racing Ireland Group financial statements.

A loan to Curragh Racecourse Limited was transferred to "Loans to associate undertakings" in 2016. This loan was in respect of an element of a previous redevelopment of the Curragh Racecourse. See Section D "Loans to associate undertaking" below and Note 37 for further information.

<b>(B) Investments - Group</b>	<b>Investment in Associate €'000</b>	<b>Investment in Racecourse €'000</b>	<b>Unlisted Investments €'000</b>	<b>Listed Investments €'000</b>	<b>Total €'000</b>
<b>Current financial year</b>					
At 1 January 2017	2,212	1	12,490	10,990	25,693
Additions	11,750	-	55,460	4,998	72,208
Share of loss in associate	(1,058)	-	-	-	(1,058)
Disposals	-	-	(45,474)	(4,998)	(50,472)
Gain on fair value movement	-	-	-	198	198
At 31 December 2017	12,904	1	22,476	11,188	46,569
<b>Prior financial year</b>					
At 1 January 2016	-	1	4,995	13,008	18,004
Additions	2,500	-	12,490	2,964	17,954
Share of loss in associate	(288)	-	-	-	(288)
Disposals	-	-	(4,995)	(4,984)	(9,979)
Gain on fair value movement	-	-	-	2	2
At 31 December 2016	2,212	1	12,490	10,990	25,693

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**16. Financial assets (continued)**

**(B) Investments - Horse Racing Ireland**

	Investment in Associate €'000	Investment in Racecourse €'000	Unlisted Investments €'000	Listed Investments €'000	Total €'000
<b>Current financial year</b>					
At 1 January 2017	2,500	1	12,490	10,990	25,981
Additions	11,750	-	55,460	4,998	72,208
Disposals	-	-	(45,474)	(4,998)	(50,472)
Gain on fair value movement	-	-	-	198	198
At 31 December 2017	14,250	1	22,476	11,188	47,915
<b>Prior financial year</b>					
At 1 January 2016	-	1	4,995	13,008	18,004
Additions	2,500	-	12,490	2,964	17,954
Disposals	-	-	(4,995)	(4,984)	(9,979)
Loss on fair value movement	-	-	-	2	2
At 31 December 2016	2,500	1	12,490	10,990	25,981

The listed investments relate to fixed interest investment bonds (all of which are listed on several European Stock Exchanges). The unlisted investments relate to investments in short term financial money market instruments.

Group funding and liquidity is managed by ensuring that sufficient funds are available to meet the Group's needs with an appropriate spread of investment maturity dates. The Group controls and monitors credit risk on the amounts due from counter parties by ensuring that all financial assets are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices caused by factors specific to an individual investment or factors affecting all instruments traded in the market. The Group controls this risk by daily monitoring of the market for fluctuations.

Investment in racecourse represents investments in ordinary shares. This investment is held at cost less impairment because the fair value cannot be measured reliably.

See Note 37 for further information on investment in associate undertaking.

**(C) Investments in subsidiary undertakings - Horse Racing Ireland**

	2017 €'000	2016 €'000
At 1 January	1,551	51
Additions	-	1,500
Disposals	-	-
Gain / (Loss) on fair value movement	-	-
At 31 December	1,551	1,551

Details of the principal subsidiaries of Horse Racing Ireland and their activities are set out in Note 38. During 2016, it was agreed that an amount in the sum of €1.5m due from the repayment of a loan made by Horse Racing Ireland to The Leopardstown Club Limited be converted from debt to equity. This conversion was achieved through the issuing of 133 ordinary shares in The Leopardstown Club Limited at a total share consideration of €1.5m (€11,278 per share).

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**16. Financial assets (continued)**

**(D) Loans to associate undertaking - Group**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current financial year</b>		
At 1 January	942	-
Additions	-	1,027
Repayments	(100)	(100)
Gain on fair value movement	18	15
At 31 December	860	942

**Loans to associate undertaking - Horse Racing Ireland**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current financial year</b>		
At 1 January	942	-
Additions	-	1,027
Repayments	(100)	(100)
Gain on fair value movement	18	15
At 31 December	860	942

Loans to associate undertakings, which is at fair value through profit or loss, constitute financing transactions and are measured at the present value of the future cash flows, discounted at a market rate of interest. Loans to associate undertaking includes a loan to Curragh Racecourse Limited measured at €0.860m (2016: €0.942m) in respect of an element of a previous redevelopment of the Curragh Racecourse. The maturity date of the loan is 31 March 2020 and interest is charged at a rate of 3 month Euribor plus 1%.



**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**17. Investment properties**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Fair value at 1 January	11,300	12,990
Gain / (Loss) on fair value movement	400	(1,690)
Fair value at 31 December	11,700	11,300
	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Horse Racing Ireland</b>		
Fair value at 1 January	4,250	4,200
Gain on fair value movement	350	50
Fair value at 31 December	4,600	4,250

Investment properties, which are a health and fitness club, a retail unit and an office building, were valued to fair value by Knight Frank, an independent valuer with recent experience in the location and class of investment property being valued. The method to determine fair value were the comparative and investment methods and significant assumptions were applied to size, location, terms, covenant and other material factors. There are no restrictions on the realisability of investment property.

**18. Negative goodwill**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Cost</b>		
At 1 January	7,135	7,135
Impairment	-	-
At 31 December	7,135	7,135
<b>Accumulated Amortisation</b>		
At 1 January	4,455	4,106
Amortised in the financial year	349	349
At 31 December	4,804	4,455
<b>Net book value</b>		
At 31 December	2,331	2,680
Goodwill attributable to non-monetary depreciable assets	(5,057)	(5,057)

Negative goodwill of €12.3m arose on the acquisition of net assets in Fairyhouse Club Limited in 2006 and was reduced by the subsequent impairment of those assets in 2013.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>19. Debtors: Amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Trade debtors	4,567	3,597
Prepayments and accrued income	2,127	2,309
Amounts due from industry bodies	1,298	1,211
Amounts due from associate undertaking	11	63
Other debtors	1,129	977
Taxation recoverable	55	40
	9,187	8,197
<b>Horse Racing Ireland</b>		
Trade debtors	1,125	1,150
Prepayments and accrued income	1,300	848
Amounts due from subsidiary undertakings	16,566	17,380
Amounts due from associate undertaking	11	63
Amounts due from industry bodies	1,298	1,211
Other debtors	367	391
	20,667	21,043
<b>20. Cash at bank</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Horse Racing Ireland	12,858	33,375
HRI Racecourses	5,198	2,720
Tote Ireland	2,748	3,697
Irish Thoroughbred Marketing	752	607
	21,556	40,399
<b>Horse Racing Ireland</b>	12,858	33,375

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>21. Creditors: Amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Accruals	5,178	5,780
Bank loans (Note 23)	3,000	3,000
Trade creditors	2,190	1,704
Balances due to racing clients	29,023	25,735
Deferred income	1,641	1,385
Amounts due to associate undertakings	-	-
Other creditors	4,196	4,075
Taxation creditors	687	348
	45,915	42,027
 <b>Horse Racing Ireland</b>		
Accruals	3,122	3,381
Amounts owed to subsidiary undertakings	441	3,477
Bank loans (Note 23)	3,000	3,000
Trade creditors	635	503
Balances due to racing clients	29,023	25,735
Other creditors	3,658	3,461
Amounts due to associate undertakings	-	-
Taxation creditors	467	60
	40,346	39,617

Group trade creditors include amounts due to betting clients not drawn down.

Other creditors includes balances amounting to €3.073m at 31 December 2017 (2016: €2.752m) deducted from Trainers' prizemoney accounts in respect of a Stable Employees Pension Plan. Revenue approval for a defined contribution pension scheme was granted in May 2017 and initial funds were transferred over during December 2017.

*Taxation creditors is split as follows:*

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
PAYE	265	18
PRSI	150	19
VAT	79	172
Other taxes	193	139
	687	348
 <b>Horse Racing Ireland</b>		
PAYE	249	-
PRSI	131	-
VAT	39	32
Other taxes	48	28
	467	60

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>22. Creditors: Amounts falling due after more than one year</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Bank loans (Note 23)	13,000	6,000
Deferred income	25	27
	13,025	6,027
<b>Horse Racing Ireland</b>		
Bank loans (Note 23)	13,000	6,000
	13,000	6,000
<b>23. Bank loans</b>		
	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Repayable within 1 year	3,000	3,000
Repayable within 2 to 5 years	13,000	6,000
Repayable after 5 years	-	-
	16,000	9,000
<b>Horse Racing Ireland</b>		
Repayable within 1 year	3,000	3,000
Repayable within 2 to 5 years	13,000	6,000
Repayable after 5 years	-	-
	16,000	9,000

Horse Racing Ireland's Group loan from KBC is repayable in instalments during 2018 and 2019. The loan is subject to a variable interest rate based on Euribor. The weighted average interest rate during the financial year, for drawn amounts, was 0.350% (2016: 0.350%). The loan is unsecured.

Following receipt of approval from the Minister for Finance in December 2015, HRI entered into a €25m loan facility in 2016 with Ulster Bank to enable the funding of a capital development programme. The loan is unsecured and a variable interest rate, based on Euribor, applies to any drawings. As at 31 December 2017 €10m (2016: nil) has been drawn down. The weighted average interest rate during the financial year was 1.75% (2016: 0%). Undrawn amounts are subject to a commitment fee of 0.6125%. Drawings may be made under the facility up to 2020 and the loan amount then outstanding will be repayable over the subsequent 7 years.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>24. Provision for liabilities</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Deferred taxation</b>		
At 1 January	1,325	1,851
Charge / (Credit) to Statement of Income and Expenditure	46	(526)
At 31 December	1,371	1,325
<b>Components of deferred taxation</b>		
Valuation of investment properties	1,166	1,149
Accelerated capital allowances	205	176
	1,371	1,325

**25. Financial instruments**

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	<b>Horse Racing Ireland</b>		<b>Group</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Financial assets</b>				
<i>Measured at fair value through profit or loss</i>				
Listed investments (Note 16)	11,188	10,990	11,188	10,990
Unlisted investments (Note 16)	22,476	12,490	22,476	12,490
Loans to racecourses (Note 16)	1,174	1,304	1,174	1,304
Loans to associate undertakings (Note 16)	860	942	860	942
<i>Measured at cost less impairment</i>				
Investment in associate (Note 16)	14,250	2,500	-	-
Investment in racecourse (Note 16)	1	1	1	1
<i>Measured using the equity method</i>				
Investment in associate (Note 16)	-	-	12,904	2,212
<i>Measured at undiscounted amount receivable</i>				
Trade and other debtors (Note 19)	20,667	21,043	9,187	8,197
Cash at bank and in hand (Note 33)	10,358	23,375	19,056	30,399
Short term fixed deposits (Note 33)	2,500	10,000	2,500	10,000
	83,474	82,645	79,346	76,535
<b>Financial liabilities</b>				
<i>Measured at amortised cost</i>				
Bank loans (Note 23)	16,000	9,000	16,000	9,000
<i>Measured at undiscounted amount payable</i>				
Trade and other payables (Note 21)	37,346	36,617	42,915	39,027
	53,346	45,617	58,915	48,027

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**25. Financial instruments (continued)**

The Group's income, expense, gains and losses in respect of financial instruments are summarised as follows:

	<b>Horse Racing Ireland</b>		<b>Group</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Fair value gains / (losses)</b>				
On financial assets (including listed investments) measured at fair value through profit or loss	28	(17)	28	(17)
<b>Impairment reversals / (losses)</b>				
On financial assets measured at amortised cost	198	2	198	2
<b>Interest income and interest expense calculated using effective interest rate method</b>				
Interest income on financial assets measured at amortised cost	70	(26)	70	(26)

**26. 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 on the transfer of net assets of the Irish Horseracing Authority to Horse Racing Ireland on 18 December 2001.

**27. Reserves**

Retained surplus include all cumulative gains and losses recognised in the Statement of Income and Expenditure. Revenue reserves at 31 December 2017 include €14.085m being the pension reserve cumulative amount charged through the Statement of Comprehensive Income (2016: €16.528m). Capital reserves represent surpluses set aside to fund future capital development. This reserve will be released to revenue reserves on completion of such developments. Non-distributable reserves represent reserves which are non-distributable.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**28. Pension commitments**

Horse Racing Ireland has established two pension schemes to provide pension benefits to its employees and former employees. Horse Racing Ireland established with effect from 1 May 2007 the Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme 2007 ("the DB Scheme") which is a trust based defined benefit pension scheme and which holds contributions made towards benefits to be paid under the DB Scheme. In addition, Horse Racing Ireland established with effect from 25 February 1999 the Horse Racing Ireland & Racing Regulatory Body & Associated Companies Defined Contribution Employee Benefits Plan ("the DC Scheme") which is a trust based defined contribution pension scheme for new employees joining after 1 January 1999.

**Defined Benefit Scheme (Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme 2007)**

- a) On 1 December 1994, the Irish Horseracing Authority took over the operation of the Racing Board's Defined Benefit Pension Scheme for permanent staff. Since 18 December 2001, this scheme continued to operate under Horse Racing Ireland until 30 April 2007. On 1 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 (now Willis Towers Watson) 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 until 30 April 2007.
- b) Until 1 May 2007, two schemes, the Racing Board's Defined Benefit Pension Scheme and the Turf Club of Ireland Pension Scheme, were in operation. At 1 May 2007, the two schemes merged into one scheme. All pension obligations from both the former Racing Board Scheme and the former Turf Club Scheme are now covered in the new merged DB Scheme.

The DB Scheme covers the employees involved in Integrity Services who are directly funded by Horse Racing Ireland under Horseracing Authority Act 1994, Section 42 while employed by the Turf Club. Total members at 31 December 2017 amounted to 149 (2016: 150). As the DB Scheme did not satisfy the statutory Funding Standard, governing pensions legislation required that a Funding Proposal to rectify this deficit be agreed and submitted to the Pensions Authority (formerly known as the Pensions Board). Following consultation with relevant stakeholders, a Funding Proposal over the period from 2013 to 2023 was agreed and subsequently approved by the Pensions Authority. Under the terms of the agreed Funding Proposal, the DB Scheme ceased to accrue retirement benefits with effect from 1 April 2013, and future retirement provisions for service after 1 April 2013 is on a defined contribution basis. As a measure to resolve the deficit in the DB Scheme, the employers (Horse Racing Ireland and the Turf Club), have committed, subject to the terms of the Funding Proposal, to make additional contributions over the funding proposal period to 2023.

- c) Total employer contributions in the DB Scheme made for the financial period ended 31 December 2017 were €2,607,000 (2016: €1,376,000). Future expected employer contributions in the DB Scheme are €268,000 for the financial year ended 31 December 2018.
- d) A comprehensive actuarial valuation was completed during January 2018 in order to determine the defined benefit obligation for the DB Scheme.
- e) The pension cost of the DB Scheme is assessed on an annual basis in accordance with the advice of qualified actuaries using the projected unit credit method. Liabilities relating to other employees of the Turf Club and the Curragh Racecourse are excluded in calculating the net pension liability disclosed underneath.

The principal financial assumptions for the DB Scheme used to calculate the retirement liabilities under FRS 102 as at 31 December 2017 were as follows:

<b>Valuation method</b>	<b>Projected unit credit 2017</b>	<b>Projected unit credit 2016</b>
Discount rate	1.75% p.a.	1.75% p.a.
Future pension increases	2.50% p.a. / 1.00% p.a.	2.50% p.a. / 1.00% p.a.
Future inflation	1.50% p.a.	1.50% p.a.
Statutory revaluation	1.50% p.a.	1.50% p.a.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**28. Pension commitments (continued)**

		<b>2017</b>	<b>2016</b>
		<b>Year</b>	<b>Year</b>
Mortality pre-retirement	Male	62% of PNML00	62% of PNML00
	Female	70% of PNFL00	70% of PNFL00
Mortality post-retirement	Male	58% of ILT15	58% of ILT15
	Female	62% of ILT15	62% of ILT15

The mortality basis explicitly allows for improvements in life expectancy over time so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The life expectancy for members attaining age 65 in 2017 and 2037 is detailed below:

*Life expectancy at 65:*

Current pensioners (currently aged 65) - male	21.2 years	21.1 years
Current pensioners (currently aged 65) - female	23.7 years	23.6 years
Future pensioners (currently aged 45) - male	23.7 years	23.6 years
Future pensioners (currently aged 45) - female	25.8 years	25.7 years

The asset distribution of the DB Scheme was as follows:

<b>Class</b>	<b>Asset Distribution as percentage of total DB Scheme assets 31/12/2017</b>	<b>Asset Distribution as percentage of total DB Scheme assets 31/12/2016</b>
Equities	42%	46%
Property	7%	5%
Fixed Interest	29%	35%
Absolute Return Funds	18%	14%
Cash	1%	0%
Insurance	3%	0%
Total	<u>100%</u>	<u>100%</u>

The DB Scheme's assets do not include property occupied by, or other assets used by Horse Racing Ireland.

For accounting periods commencing on or after 1 January 2015, FRS17 is replaced by FRS102. FRS102 stipulates that the expected return on a scheme's assets is the discount rate. As such, the expected return on assets assumption for the DB Scheme for 2018 is 1.75%.

<b>Analysis of the amount charged to HRI administration costs before amounts deducted for Curragh / Others are as follows:</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Current service cost	-	-
Past service cost	-	-
	<u>-</u>	<u>-</u>



**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**28. Pension commitments (continued)**

<b>Analysis of the amounts charged to other finance expense</b>	<b>2017</b>	<b>2016</b>
<b>before amounts deducted for Curragh / Others are as follows:</b>	<b>€'000</b>	<b>€'000</b>
Interest income on DB Scheme assets	757	941
Interest on DB Scheme liabilities	(999)	(1,210)
	(242)	(269)

<b>Analysis of the amount charged to exceptional items</b>	<b>2017</b>	<b>2016</b>
<b>before amounts deducted for Curragh / Others are as follows:</b>	<b>€'000</b>	<b>€'000</b>
Curtailment loss	-	-

During 2013 it was agreed that future accrual of retirement benefits would cease in the DB Scheme with effect from 31 March 2013. The accrued retirement benefits for active members, calculated at 1 April 2013, will be indexed each year up to retirement by means of Statutory Revaluation (as set out in governing pensions legislation), and the Actuary has advised that 1.50% per annum is the appropriate assumption as at this reporting date in this regard.

<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Present value of wholly or partly funded DB Scheme liabilities	(56,205)	(57,975)
Fair value of DB Scheme assets	46,803	43,440
Total Deficit in DB Scheme at end of the financial year	(9,402)	(14,535)
Curragh Racecourse / Others deficit included in total deficit for the financial year	(1,185)	(1,788)
Net HRI liability recognised in the Statement of Financial Position	(8,217)	(12,747)

<b>Changes in the present value of DB Scheme liabilities are as follows:</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Opening present value of DB Scheme liabilities	(57,975)	(53,318)
Current service cost	-	-
Interest cost	(999)	(1,210)
Contributions by DB Scheme participants	-	-
Actuarial (loss) / gain	923	(5,072)
Past service cost gain	-	-
Benefits paid	1,846	1,625
Curtailment loss	-	-
Closing present value of DB Scheme liabilities	(56,205)	(57,975)

<b>Changes in the fair value of DB Scheme assets are as follows:</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Opening fair value of DB Scheme assets	43,440	40,919
Interest income	757	941
Actuarial gain	1,845	1,829
Contributions by employer	2,607	1,376
Contributions by DB Scheme participants	-	-
Benefits paid	(1,846)	(1,625)
Closing fair value of DB Scheme assets	46,803	43,440

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**28. Pension commitments (continued)**

<b>Analysis of the amount which is recognised in the Statement of Comprehensive Income is as follows:</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Curragh / Others actuarial (loss) / gain for the financial year	325	(493)
HRI actuarial (loss) / gain for the financial year	2,443	(2,750)

The actual return on DB Scheme assets in 2017 was a gain of €2.602m (2016: gain of €2.770m). The total gains and losses recognised in the Statement of Comprehensive Income at 31 December 2017 for the period was a gain of €2.768m (2016: total loss of €3.243m)

**Amounts for the current and previous period are as follows:**

<b>Year ended 31 December</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Present value of DB Scheme liabilities	(56,205)	(57,975)
Fair value of DB Scheme assets	46,803	43,440
Deficit in the scheme	(9,402)	(14,535)

<b>Year ended 31 December</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
Net deficit in DB Scheme in relation to HRI and HRI funded Turf Club employees of the DB Scheme	(8,217)	(12,747)
Experience adjustment arising on		
- the DB Scheme liabilities	923	288
- the DB Scheme assets	1,845	1,829

**Defined Contribution Scheme (Horse Racing Ireland & Racing Regulatory Body & Associated Companies Defined Contribution Employee Benefits Plan) / PRSA**

- a) Horse Racing Ireland operates a defined contribution plan, the Horse Racing Ireland Associated Companies Defined Employee Benefits Plan ("the DC Scheme") which is a trust based joining after 1 January 1999. In addition, the DB Scheme ceased accruing benefits with effect from 31 March 2013 and all active members of the DB Scheme became active members in the DC Scheme with effect from 1 April 2013.
- b) At 31 December 2017, there were 183 active participants. Horse Racing Ireland also offers a PRSA to employees who are not eligible to join the DC Scheme.
- c) The pension contributions for the DC Scheme for the year ended 31 December 2017 were €0.716m (2016: €0.681m).

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>29. Non-controlling interest</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
At beginning of financial year	5	2
Movement in the financial year	7	3
At end of financial year	12	5

The balance of non-controlling interest relates to the percentage of shareholdings which are not owned by the Group, as outlined in note 38.

**30. Capital and other commitments**

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

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Authorised, but not contracted for	13,017	6,931
Contracted	1,324	605
Total	14,341	7,536

**Horse Racing Ireland**

Authorised, but not contracted for	13,017	6,931
Authorised, but not contracted for, to subsidiary undertakings	5,801	3,170
Contracted	933	454
Total	19,751	10,555

**31. Lease commitments**

*Operating Leases - Lessee*

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Within one year	107	93
Between one and five years	138	159
After five years	-	-
	245	252
<b>Horse Racing Ireland</b>		
Within one year	41	29
Between one and five years	64	63
After five years	-	-
	105	92

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**31. Lease commitments (continued)**

*Operating Leases - Lessor*

Total future minimum lease receipts under non-cancellable operating leases are as follows:

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Within one year	845	913
Between one and five years	3,623	4,072
After five years	9,861	10,015
	<u>14,329</u>	<u>15,000</u>
<b>Horse Racing Ireland</b>		
Within one year	275	275
Between one and five years	1,373	1,373
After five years	4,393	4,667
	<u>6,041</u>	<u>6,315</u>

*Significant leasing arrangements - Lessor*

- The office building has a 25 year lease expiring in 2039. The next rent review is due in July 2019.
- The health and fitness club has a 35 year lease expiring in 2033. The next rent review is due in January 2018.
- There are two retail unit operating leases detailed as follows:
  - The first retail unit has a 20 year lease expiring in January 2018.
  - The second retail unit has a 16 year lease expiring in February 2032.

**32. Reconciliation of (Deficit) / Surplus for the financial year to net cash (outflows) / inflows from operating activities:**

	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
(Loss) / Surplus for the financial year before tax, other finance expenses & associate undertakings	(2,855)	4,978
Interest receivable	(347)	(324)
Interest payable	208	222
Depreciation	3,163	3,002
Non cash exceptional items	-	-
Fair value movement of investment properties	(400)	1,690
Fair value movement on listed investments	(198)	-
Gain on disposal of assets	(20)	(18)
Loss on disposal of assets	1	-
Negative goodwill amortisation	(349)	(349)
Tax paid	(299)	(191)
(Increase) / Decrease in operating debtors	(902)	1,206
Increase in operating creditors	3,859	3,344
Difference between pension charge and contribution	(2,301)	(1,167)
<b>Net cash (outflow) / inflow from operating activities</b>	<u>(440)</u>	<u>12,393</u>

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<b>33. Components of cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
	<b>€'000</b>	<b>€'000</b>
<b>Group</b>		
Cash at bank and in hand	19,056	30,399
Short term fixed deposits	2,500	10,000
	21,556	40,399
<b>Horse Racing Ireland</b>		
Cash at bank and in hand	10,358	23,375
Short term fixed deposits	2,500	10,000
	12,858	33,375

**34. Related party transactions**

In the normal course of business Horse Racing Ireland may enter into contractual arrangements with undertakings in which Board members have interests. The Board adopted procedures in accordance with guidelines issued by the Department of Public Expenditure and Reform in relation to the disclosure of interests by Board members and these procedures were adhered to during the financial year. The Board complied with the Department of Public Expenditure and Reform guidelines covering situations of personal interest. In cases of potential conflict of interest, Board members did not participate in or attend any Board discussion relating to the matter.

Horse Racing Ireland has availed of the exemption afforded by paragraph 33.1A from the provisions of FRS 102 'related party transactions' from disclosing transactions with wholly owned subsidiaries (i.e. 100% owned). Navan Races Limited, The Tipperary Race Company Plc, The Leopardstown Club Limited and Fairyhouse Club Limited are all considered related parties because they are not wholly owned subsidiary undertakings.

Please refer to note 3 for total remuneration and benefits paid to key management.

***Subsidiary undertakings***

Transactions in the financial year between Horse Racing Ireland and its non-wholly owned subsidiary undertakings included payroll and cost recharges of €3.723m (2016: €3.393m), bookmaker's fees of €0.359m (2016: €0.382m), sponsorship collected of €0.967m (2016: €0.919m), grants payable of €0.988m (2016: €2.329m) and interest income of €0.035m (2016: €0.060m).

During the financial year, Horse Racing Ireland received repayments on financial assets of €0.650m (2016: €0.650m) and issued new financial assets of nil (2016: nil).

***Associate undertakings***

Transactions in the financial period between Horse Racing Ireland and its associate undertakings included payroll and cost recharges of €0.033m (2016: €0.216m), bookmakers fees of €0.063m (2016: €0.100m), sponsorship collected of €0.910m (2016: €0.892), grants payable €0.050m (2016: €0.050m), schools and gallops recharges of €0.186m (2016: €0.147m) and training ground recharges of €1.201m (2016: €0.679m).

In 2015, HRI advanced €2.5m to Curragh Racecourse Limited (CRL) in anticipation of investment funding which was subject to capital appraisal. This appraisal was completed in 2016. This advance was initially recognised as a loan and carried at amortised cost. This loan was converted to a 33% shareholding in CRL during the financial year 2016. A further €11.750m was advanced to CRL during 2017. The total investment at 31 December was €14.250m. This equity holding in CRL has been reflected as an investment in associate in the HRI Parent and HRI Group financial statements.

In 2016 HRI's Board approved €12.5m in grant aid for the Curragh Racecourse. As per the Shareholders Agreement the milestones for €10m of this €12.5m occurred in 2017 and payments in this amount were made to Curragh Racecourse Limited. The €10 million in grant aid has been expensed in the Income and Expenditure Account in 2017.

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**34. Related party transactions (continued)**

*Amounts due (to) / from related parties*

At financial year end, the amounts due (to) / from related parties were as follows:

Related party name	2017 €'000	2016 €'000
The Tipperary Race Company Plc	26	81
The Leopardstown Club Limited	1,094	(123)
Navan Races Limited	6,385	6,580
Fairyhouse Club Limited	3,680	3,722
Curragh Racecourse Limited	10	63

**35. Contingent liability**

The court proceedings between The Leopardstown Club and Templeville Developments Limited concluded with a Supreme Court ruling in favour of The Leopardstown Club Limited in July 2017. The court also awarded costs to The Leopardstown Club Limited together with the costs of proceedings in the High Court and Court of Appeal. Templeville Developments Limited has commenced payments on a monthly basis to The Leopardstown Club Limited in relation to the award of costs.

**36. Property**

Horse Racing Ireland's main administrative office is located at the address defined on page 2 and is a freehold property.

**37. Investment in Associate**

HRI, the Turf Club and private investors established an associate company, Curragh Racecourse Limited (CRL) to facilitate the redevelopment of the Curragh Racecourse. This company is incorporated in the Republic of Ireland. In 2015, HRI advanced €2.5m in anticipation of investment funding which was subject to capital appraisal. This appraisal was completed in 2016. In 2015 the €2.5m advance was recognised as a loan and carried at amortised cost in the consolidated accounts of HRI. In 2016, this loan was converted into a 33% shareholding in CRL. This equity holding has been reflected as an investment in associate in the Horse Racing Ireland Parent and Group financial statements. During 2017, HRI advanced a further €11.750m to Curragh Racecourse Limited. The total investment at 31 December 2017 was €14.250m (2016: €2.500m).

As at 31 December 2017, there were two classes of shares held by Horse Racing Ireland in CRL. HRI held 100,000 B1 shares (2016: 100,000) Ordinary Shares and 108,449 B2 (2016: 92,500) Ordinary Shares with a nominal value of €0.001 each. The B1 shares are fully paid up as at 31 December 2017 and represent voting rights in CRL. The B2 shares are economic shares with no voting rights.

At 31 December 2017 the Group and company had interests in the following associates:

	<b>% Held</b>	<b>Principal Activities</b>
Curragh Racecourse Limited	33%	The provision of racecourse and racehorse training facilities and the facilitation of the redevelopment of the Curragh Racecourse

**HORSE RACING IRELAND**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

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**38. Principal subsidiaries**

<b>Direct subsidiaries</b>	<b>% Held</b>	<b>Principal Activities</b>
Tote Ireland Limited	100%	Operation of a totalisator at race meetings, operation of a tele-betting service and an internet betting service
Irish Thoroughbred Marketing Limited	100%	Promotion of the Irish Thoroughbred Horse
HRI Racecourses Limited	100%	Racecourse holding company
Tote Arena Limited	100%	Non-trading
<b>Indirect Subsidiaries</b>		
The Leopardstown Club Limited	99.97%	Holding of race meetings and ancillary activities and the operation of Leopardstown golf course
Navan Races Limited	99.58%	Holding of race meetings and ancillary activities
Cork Racecourse Limited	100%	Letting of land
The Tipperary Race Company Plc	97.56%	Holding of race meetings and ancillary activities
Fairyhouse Club Limited	99.94%	Holding of race meetings and ancillary activities

All the subsidiary companies are incorporated in the Republic of Ireland with their registered offices at Ballymany, The Curragh, Co. Kildare.

**39. Approval of financial statements**

The Board of Horse Racing Ireland approved these financial statements for issue on 13th September 2018.









## HORSE RACING IRELAND

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