

The background of the entire page is a photograph showing the silhouettes of several jockeys on their horses. They are positioned in a line, leaning forward in a starting stance. The scene is set against a bright, hazy sky at sunset or sunrise, with the sun low on the horizon, creating a strong backlighting effect. The overall color palette is warm, dominated by oranges, yellows, and soft blues.

2012

— ANNUAL REPORT —

HORSE RACING IRELAND

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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.



CEO, BOARD MEMBERS & COMMITTEES OF HRI

HRI BOARD

Joe Keeling	Chairperson
Roderick Ryan	Vice Chairperson Representative of the Racing Regulatory Body
Bernard Caldwell	Representative of persons employed directly in the horseracing industry
Noel Cloake	Representative of persons employed in the industry
William Flood	Representative of the Racing Regulatory Body
Joe Hernon	Representative of racehorse breeders
Michael Hickey	Representative of the Racing Regulatory Body
Francis Hyland	Representative of authorised bookmakers
Noel Meade	Representative of racehorse trainers
John Moloney	Representative of authorised racecourses
Jim Nicholson	Representative of the horseracing industry in Northern Ireland
Neville O'Byrne	Representative of the Racing Regulatory Body
Mary O'Connor	Representative of the Racing Regulatory Body
John Power	Representative of racehorse owners

APPOINTMENTS & REMUNERATION COMMITTEE

Joe Keeling *Chairperson*
John Power
Roderick Ryan

AUDIT COMMITTEE

Jim Nicholson *Chairperson*
Bernard Caldwell
Con Haugh
Francis Hyland

BOOKMAKERS COMMITTEE

Mary O'Connor *Chairperson*
Bernard Caldwell
Raymond Horan
Neville O'Byrne

FAIRYHOUSE COMMITTEE

Pat Byrne *Chairperson*
Michael J Murphy
Noel Meade
Bernard Caldwell
Dara Mullen
Eamon Grimes
Mary Wallace

FINANCE COMMITTEE

Joe Keeling *Chairperson*
William Flood
John Moloney
John Power
Roderick Ryan
Brian Kavanagh

FOAL LEVY COMMITTEE

Jim Beecher *Chairperson*
William Flood
Noel Meade
James Murphy
Derek Icton
Bernard Caldwell
Joe Foley

FIXTURES COMMITTEE

William Flood *Chairperson*
Noel Cloake
Noel Meade
Sue Phelan
John Power
John Moloney
Neville O'Byrne

HRI RACECOURSES BOARD

Joe Keeling *Chairperson*
William Flood
Joe Walsh
Pat Byrne
Dave McGrath
Tim Hyde
Brian Kavanagh

ITM COMMITTEE

Joe Hernon *Chairperson*
David O'Loughlin
Noel Meade
John Osborne
Michael Hickey
Richard Pugh
Joe Osborne
Dick O'Sullivan
Eimear Mulhern

LEOPARDSTOWN COMMITTEE

Dave McGrath *Chairperson*
Tom Taaffe
John Oxx
David Allman
Mary O'Connor
Jim Mulqueen
Neville O'Byrne

MEDIA RIGHTS COMMITTEE

John Moloney *Chairperson*
Mary O'Connor
John Power

NAVAN COMMITTEE

William Flood *Chairperson*
Noel Cloake
Michael Cunningham
Jimmy Owens
Donal Matthews
Deirdre McFadden
Ruairi O'Coileain

PROGRAMMES COMMITTEE

William Flood *Chairperson*
Noel Cloake
Joe Hernon
Noel Meade
Neville O'Byrne
John Power
John Moloney

TIPPERARY COMMITTEE

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

TOTE COMMITTEE

Jim Nicholson *Chairperson*
Brian Kavanagh
Pat Garvey
Pat Kenny
John Flannelly
Nathaniel Lacy
Dairine Walsh

HRI NOMINATIONS / APPOINTMENTS

CORK
Joe Walsh *Chairperson*
John Murphy

DUNDALK
Philip Furlong
Ciaran Kennelly
Eamon McLroy

IRISH EQUINE CENTRE

Joe Hernon
Margaret Davin
Marcus Swail

PUNCESTOWN
David Mongey *Chairperson*
Sandy Persse
Dick O'Sullivan
Nyal Speirs

RACE

Bernard Caldwell
Margaret Davin
David Wright

CHAIRMAN'S REPORT

I am pleased to present the 2012 Annual Report for Horse Racing Ireland. Our industry continues to feel the impact of the recession that has gripped the country for the last number of years. Despite this, bloodstock sales grew for the third year in a row and Tote turnover improved, mainly through growth in international co-mingling deals. On the other hand, 2012 saw a reversal in the attendance growth of the previous year, mainly caused by bad weather which saw the cancellation of 20 fixtures, some of which were rescheduled during the year. The number of owners was down 11.7% and the number of horses in training was down 6%, both of which are a cause for great concern, as ownership is right at the heart of the horse racing industry.

Although domestic demand for ownership remains depressed for now, overseas investment holds great promise for Irish

racing and we will continue to be active in overseas markets, capitalising on the unequalled reputation of Irish bloodstock.

The most significant development of the year was in July, when the Minister for Agriculture, Food and the Marine, Simon Coveney TD, published the Indecon Report, produced by independent economic consultants. This followed the completion of their review of certain aspects of the Irish horse racing industry initiated by the Minister shortly after he assumed office.

The report calls for "additional and sustainable funding for the development of the sector, accompanied by an equal priority to maximise efficiency, effectiveness and value for money". This is based on the well-established potential of the industry to aid national economic recovery by increasing the

c. €1bn contribution per annum it already makes to the economy. The report identifies the need to introduce measures to secure a significant increase in taxation from the betting sector. The Government has already published a Bill to amend the Betting Act 1931 which will provide for the extension of betting duty to online and remote betting and Minister Coveney is engaged with the Minister for Finance in this respect.

The Irish horse racing and breeding industry has been struggling with the annual reductions in the Horse and Greyhound Racing Fund. It undermines the basis of good planning which Horse Racing Ireland was established to deliver and risks eroding the competitive advantage which has been painstakingly built up over many years.

One of the key recommendations of the Indecon Report, to be acted upon as a priority, related to the integration of functions between the Turf Club and Horse Racing Ireland and as a result, a streamlining group has been established as a joint committee of the Turf Club and Horse Racing Ireland.

Horse Racing Ireland welcomes the Indecon Report and congratulates Minister Coveney, his Department and Indecon on the work done. It addresses the case for a betting levy regime to bring all betting providers into the tax system and provide an adequate and consistent level of funding for the horse racing industry. Our current inability to make long-term plans due to variable exchequer supports and

a loss of competitiveness through budget reductions are holding back the development of the sector. This report confirms the economic potential of horse racing, echoing our contention that thoroughbred racing and breeding is ready to play an important role in Ireland's economic revival.

In presenting these financial statements, I would like to thank all of my colleagues on the Board of Horse Racing Ireland together with those who have given generously of their time to serve on subsidiary boards and statutory and advisory committees. I also thank Chief Executive Brian Kavanagh and his executive team, who carry out the day to day tasks of the management and administration of Irish horse racing. The

Board and executive team have shown great dedication to the task of carrying the industry through these difficult and challenging times and in trying to plan for the future growth and vitality.

Joe Keeling
Chairman

Bloodstock sales provided a boost for the overall industry in 2012, growing for the third year in a row. However, the number of horses in training and the number of racehorse owners continued to fall, reflecting the impact of the depressed economy. This emphasises once again that, as we work to maintain a vibrant industry through the recession, we have opportunities for growth in sales to overseas buyers and confidence that the reputation of the Irish thoroughbred, enhanced time and time again on the racetrack, holds great promise for growing inward investment in Irish racing and breeding.

The value of bloodstock sales at public auction in Ireland was up 16.3% from €80.6m to €93.7m and the total value of Irish-foaled exported horses sold at public auction was up 11.4% from €156.5m to €174.3m.

In racing attendances, we saw a reversal of the average improvement of 3% in 2011, mainly because of the cancellation of 20 fixtures and reduced attendances at a number of key festivals due to bad weather. An overall increase of 14 fixtures arising from the new Dundalk winter season lowered the average per meeting although it contributed to increased prizemoney overall, financed

by SIS and the racecourse. The apparent modest improvement in prizemoney masks the fact that Ireland continues to lose ground to its international competitors, with prizemoney increases for 2013 recently announced in both Britain and France, our most immediate and vigorous competitors.

Betting at racecourses fell sharply, continuing the downward trend since 2007, with on-course bookmakers' turnover down €125m from that peak. Tote turnover improved in 2012, mainly through growth in international comingling deals. The on-course betting sector is suffering more than any other and, without reform of betting taxation along the lines proposed in the Betting (Amendment) Bill 2012, future years are likely to see that trend continuing.

The fall in the total number of owners, down 11.7% from 4,278 to 3,779 and the fall in total horses in training, down 6% from 9,832 to 9,238, are also worrying as owners are the real foundation of the sport and the best ambassadors to encourage interest and participation in racing.

The summary of areas where we saw declines were:

- Total Horses in Training down 6% to 9,238
- On-Course Bookmakers' Betting down 22% to €76m
- Total Number of Owners down 11.7% to 3,779
- Total Number of New Owners down 10.4% to 696
- Average Attendances down 7.4% to 3,413

This presents us with the challenges which we must address in 2013 and 2014. The challenges of the recession are compounded by uncertainty of funding as we await the enactment of legislation to bring off-shore betting within the taxation net, with an appropriate level of betting duty to ensure the industry is funded without exchequer subvention while maintaining a link between betting duty raised and industry funding.

Horse Racing Ireland welcomed the publication of the Indecon Report and is committed to working with the Minister and his Department to assist the implementation of the recommendations which will open up the prospect of adequate multi-year funding based on betting tax.

The horse racing and breeding sector is an industry which contributes c. €1bn annually to the Irish economy, employs in excess of 16,000 people and is responsible for exports worth €174m. Ireland remains the biggest producer of thoroughbred foals in Europe and is fourth in the world.

While demand for Irish bloodstock continues to grow, the reality is that the majority of that demand is from overseas and for export. We will work to encourage more international owners to keep horses in training and breeding stock in Ireland, particularly on the flat. Competition from other countries is at an all time high in this respect and Ireland cannot be complacent about its position in this global industry.

We continue to develop sales leads in new and emerging markets, nurturing our unrivalled reputation in all aspects of thoroughbred breeding and racing. Britain remains our top destination for exports and we continue to retain an active sales presence there. Allied to inward investment, there is a considerable benefit in attracting racing tourists to Ireland as we actively promote Ireland as a tourist destination at the Cheltenham Festivals and through hosted visits to our own top race meetings and racing centres.

Six of the last seven European Champion two-year olds were trained in Ireland, with five of them also bred here, including the 2012 Champion Dawn Approach. Our trainers have also chalked up successes and earned widespread acclaim around the globe. Irish-trained horses had remarkable success in the UK and overseas, with a 10.2% increase in prizemoney won in the UK from £6.3m in 2011 to £6.9m in 2012.

There were many notable achievements by Irish-trained horses on the international scene during the 2012 Flat season, with Aidan O'Brien winning the first four English Classics and only narrowly failing to be the first trainer ever to win all five and there was also the remarkable achievement of Irish trainers winning four of the five Championship races on British Champions Day at Ascot. On the Irish National Hunt scene, Willie Mullins, Davy Russell and J.P. McManus were awarded the leading trainer, jockey and owner titles respectively.

Despite the challenges of the economy, reduced funding and adverse weather, everyone involved in the industry and our horses provided cause for celebration at the annual Irish Horse Racing Awards in the Leopardstown Pavilion in December 2012. Awards were presented to Camelot, Davy Russell, Joseph O'Brien, Peter Casey and Colman Sweeney. Moyglare Stud received a special Contribution to the Industry Award and the inaugural Racecourse of the Year Award went to Ballinrobe.

Brian Kavanagh
Chief Executive

FINANCE REVIEW

The financial results of the Horse Racing Ireland Group continue to show satisfactory results for the year ended 31st December 2012.

The Group Income and Expenditure Account showed a surplus of €4.761m for the year. The primary movements in Group income comprise an increase in total turnover which was primarily as a result of an increase in Tote Ireland turnover and a decrease in the allocation from the Horse and Greyhound Fund. The key movements in Group expenditure included an increase in winnings paid on bets, an increase in capital development fund grants to third party racecourses and a decrease in grants / fees to industry bodies.

GROUP INCOME AND EXPENDITURE ACCOUNT

Turnover for the year increased by €1m to €60.2m compared to €59.2m in the previous year. The turnover increase is primarily due to an increase of €1.9m or 4% in Tote Ireland turnover. Racecourse income decreased during the year from €11m in 2011 to €10.5m in 2012 and income from bookmakers decreased by 8% to €2.1m in 2012. The income from On-Course Bookmakers' betting and pitch fees is paid back to the relevant racecourses. This amounted to €1.213m in 2012 which showed a decrease of 10% or €0.134m from the previous year figure.

The number of fixtures in 2012 increased to 350 fixtures. This is an increase of 14 fixtures from the prior year. The total number of races increased from 2,397 in 2011 to 2,516 in 2012, an increase of 119 races in 2012.

Complete statistics for Irish racing are available in the Horse Racing Ireland Fact Book 2012 and on the website www.goracing.ie.

OTHER INCOME

In 2012, other income totalled €75m which resulted in a slight decrease from 2011. The allocation from the Horse and Greyhound Racing Fund showed a further decrease of 2% or €0.8m from the previous year. The total allocation in 2012

was €45.032m. Foal Levy contributions decreased by 11% or €0.172m to €1.430m in 2012. The bands and rates for the foal levy were changed which resulted in the decrease in income. The number of foals born in 2012 was 7,546 (7,550 in 2011). Media income of €5.436m showed a slight increase year on year. Registrations income slightly decreased by 4% in 2012 to an income of €3.296m. Industry contributions to Irish Thoroughbred Marketing slightly increased in 2012 and investment income increased by 21% or €0.243m to €1.4m during the year.

PRIZEMONEY

The total value of prizemoney of €45.8m showed an increase of €0.5m from the previous year total of €45.3m. The contributions from owners were marginally down year on year to €11m in 2012. The contributions from sponsors increased by 13% or €0.7m to €5.9m in 2012, while Horse Racing Ireland's contribution remained similar year on year. Point to Point prizemoney in 2012 totalled €0.9m. There was 107 Point to Point fixtures in 2012 compared with 109 fixtures in the previous year. The total number of races in 2012 decreased by 12 races to 805 (817 in 2011).

EXPENDITURE

During 2012, other Group expenditure increased to €25.3m which was an increase of 9% or €2m from the 2011 figure of €23.3m. The main increase was €2.4m spent on the new capital development scheme for racecourses in 2012.

Integrity and Racecourse Services costs totalled €8m in 2012 with integrity services marginally decreasing in the year and racecourse services showing an increase of 4% from the prior year.

Group payments made to racecourses for various programmes decreased by 10% to €1.3m in 2012. This was primarily due to the reduction in bookmakers' turnover in the year. Capital development fund grants of €2.4m were paid during the year under the new capital development scheme for racecourses. This scheme provides up to a maximum of 40% funding with the

balance being funded by the racecourse. This figure is for third party owned racecourses only.

Grants / Fees paid to industry bodies decreased by 22% or €0.553m in 2012 to a total figure for grants paid of €1.972m. 2011 saw a once off payment to the Irish Equine Centre not repeated in 2012.

Distributions under the Foal Levy Scheme in 2012 were €1.713m which was a reduction of 6% from the previous year total of €1.819m. The primary third party beneficiaries in 2012 were the Irish Equine Centre, in receipt of €0.800m (€0.875m in 2011) and Irish Thoroughbred Breeders' Association, in receipt of €0.400m (€0.410m in 2011). Irish Thoroughbred Marketing was also a beneficiary and received €0.400m (€0.440m in 2011).

Other expenditure reduced by 17% or €0.230m to €1.1m in 2012. Horse Racing Ireland administration costs increased by 10% from €4.906m in 2011 to €5.402m in 2012. The primary movements in 2012 are movements in FRS 17 year on year and a decrease in the depreciation charge.

Irish Thoroughbred Marketing expenditure remained similar year on year at a figure of €1.419m for 2012. General marketing and promotional costs increased by 8% or €0.145m from €1.865m in 2011 to €2.010m in 2012.

GROUP CASH FLOW

In 2012, Group cash inflow from operations amounted to €7.209m. The net cash inflow from returns on investments and servicing of finance totalled €1.201m. During the year, Group payments to acquire tangible fixed assets totalled €2.537m and payments to purchase listed investments were €8.120m. Loan repayments received were €0.488m during the year. Net cash outflow for capital expenditure and financial investments totalled €10.141m.

Horse Racing Ireland Group repaid bank loans during the year of €7m so there was an overall decrease in cash of €8.830m in 2012.

MARKETING REVIEW

The marketing plan which underpinned our marketing activity in 2012 grew from the findings of the Strategic Marketing Review Group Report (May 2011) which established the basis of our marketing strategy:

- Market segmentation by interest level and behaviour (research-based),
- Niche marketing communications, with each campaign targeting clearly defined segments, and
- Positioning racing as a way to re-connect with an authentic sense of Irishness, expressed as a community socialising around and celebrating this unique sporting success story, which remains rooted in the land.

Horse Racing Ireland is responsible for promoting and developing thoroughbred racing in Ireland. Attendances at race meetings are seen as a key measure of success and vital in terms of public image, media coverage and the commerciality of the sport. Attendances have fallen from 1.4m in 2008 to 1.2m in 2012, reflecting the general economic trends. While interest in racing remains high among the public, participation rates are lower. The economic impact is made clear by the figures for discretionary income per capita which reached a ten year low of €48.68 (B&A Consumer Confidence Report) in 2012 which is over 40% down over the same period.

In response to changed market circumstances, Horse Racing Ireland's marketing task has been re-defined and re-focused in line with the agreed strategy:

- Mass marketing campaigns have been replaced by niche campaigns aimed at specific market segments,
- The primary task, as stated in the Strategic Marketing Review Group Report is to increase interest levels in racing among the general public i.e. "Grow the fan base by increasing levels of interest in the sport", and

- Direct racecourse marketing supports aim to drive attendances to specific meetings.

MARKET SEGMENTATION

The market segments or types of racegoers identified through commissioned market research, each with different age, gender and lifestyle characteristics and media habits, are:

- Regulars,
- Occasionals, and
- Potentials.

Regular racegoers are best served by the activities of individual racecourses providing quality racing and incentives to attend specific meetings.

ADVERTISING

Our advertising campaigns targeted the 'occasional' and 'potential' racegoers in distinctly different media, with distinctly different messages.

'Occasionals' are reached through our radio campaign which targets rural-based men, 35 years and over, asking them to re-connect with the unique experience of National Hunt racing. The sign-off line underscores our unique national affinity for the horse: "Horse Racing – It's in the Blood".

Starting in October, the radio campaign tracked the National Hunt season and was weighted around key meetings.

62% of our target audience heard the campaign at least one time, with the average frequency of our target audience hearing the advert 13.4 times. The campaign achieved very high coverage – 46% of our target audience heard the adverts at least five times.

'Potentials' are reached through our magazine and online campaign, targeting urban women 20 to 35 years, with an appeal to the unique group social experience of racing.

DIGITAL MARKETING

2012 also saw a significant step-up in our use of digital marketing with integrated online and offline media campaigns. One of the key insights into our market is that the potential racegoer in particular is a 'dual use' consumer of the media covering their areas of interest i.e. they attend cinema and visit cinema websites, they read women's magazines and visit the related magazine websites. Their interests are shared and discussed largely on Facebook.

After the 2012 campaigns we saw growth as follows:

- Website traffic up 40% to 1.6m visits, reversing a 28% decline from 2009 to 2011,
- Facebook followers up 150% to 15,000, and
- Twitter followers up 500% to 11,000

TOURISM

Cheltenham's Open Meeting and Festival plays a key part in our overseas marketing. We use these race meetings to target UK racegoers to come racing in Ireland. The 'Go Racing In Ireland' trade stand distributes racing and tourism literature including a specifically designed brochure offering racing packages to UK racegoers. We also use the stand to collect UK racegoers data to help build our UK database.

DATABASE

In 2012 we made real progress with our national racegoers database, building on our strategy of creating a detailed profile of racegoers for the main racing festivals. This allows us to understand the profile of those going racing by specific track and then providing racecourses with a media plan specifically tailored to their customers, increasing efficiency and reducing wasted media spend.





SCHOOLS AND COLLEGES PROGRAMME

Student Racedays are an emerging success story in Irish racing and Horse Racing Ireland has a dedicated Schools and Colleges Programme to help develop interest in the sport. In March 2012, 3,000 students attended Cork Racecourse, 6,700 went to Leopardstown and 12,600 to Limerick.

Our Schools Programme was greatly expanded with over 2,000 primary school children from 43 schools attending eight racecourses to learn about the story of Irish racing and the vast industry

which underpins the activities on the racecourses. With third-level students in mind, we launched the Paddy Courtney Racing Roadshow in October at five college campuses which, assisted by Horse Racing Ireland, resulted in colleges and universities setting up Horse Racing Societies in 2012.

NATIONAL TV PROGRAMME

In October filming began on a new five-part observational documentary, 'The Irish Road to Cheltenham', which was broadcast on RTÉ One in March 2013. This continues our plan to place compelling racing programmes before

a general audience on prime-time TV as a core part of the aim to increase interest levels in racing. The five-part series attracted an average audience of 324,000 viewers on RTÉ One during prime time. This equates to a 22.3% share of the available audience watching television at the time.

NATIONAL RACING AWARDS

In December, the annual Irish Horse Racing Awards were hosted by Horse Racing Ireland in the Leopardstown Pavilion. The awards, which are in their tenth year, are voted on by the Irish racing media to recognise excellence in

the sport of horse racing. Awards were presented to Camelot, Davy Russell, Peter Casey, Moyglare Stud, Joseph O'Brien and Colman Sweeney.

The new addition to the 2012 Awards, The Racecourse of the Year Award, went to Ballinrobe Racecourse. It was selected by the Racegoers Consultative Forum based upon the best all round customer experience.

TOTE REVIEW

Overall revenues increased by 4% from €45.8m to €47.7m. Betting from third parties and other international Totes into Tote Ireland pools continues to show very positive growth. This is particularly true of betting from the UK and France. However, domestic on-course betting remained weak due to economic conditions.

The domestic market continues to remain a challenge for Tote Ireland. The poor economic conditions together with some inclement weather affected many of the meetings during the year including the curtailed race programme at the Punchestown Festival in the earlier part of the year.

Positive developments during the year included At The Races adding some additional overseas partners to its portfolio. Other new business streams in 2012 included the go live of Paddy Power in July. Customers of Paddy Power now have the opportunity to wager into Tote Ireland pools via retail shops.

Tote redeveloped www.thetote.com which was launched in June 2012. The enhancement of the website keeps Tote at the forefront of technological development ensuring customer satisfaction and engagement across domestic and international racing pools.

2012 saw some very sizeable Tote pools being achieved. The highest betting race on the Tote in 2012 was the Dubai Duty Free Irish Derby at the Curragh on June 30th, which was an impressive €556,643 which was buoyed by significant interest across our international third parties and other international Totes. This figure represents betting on the Win, Place, Exacta and Trifecta pools combined. At Thurles, on March 1st, the Pick 6 achieved a pool of €49,846. The Jackpot at Galway on 1st July achieved a pool of €94,201 and the Placepot pool at Punchestown on May 2nd totalled €80,896.

Despite the healthy levels of turnover, Tote reported a disappointing financial result for the year. The significant decline on the domestic business streams, particularly among the on-course business, has the effect of returning a lower gross profit margin of €5.3m compared with a gross profit margin of €6.2m in the prior year. Tote management continue to hold costs at an acceptable level while striving to ensure an excellent customer service.

Tote Ireland made returns to racing through race sponsorship and grants to racecourses, based on a percentage of their respective on-course turnover. 2013 will see a continuation of the strategy to grow the top line, stabilising the on-course business and developing opportunities for growth via the existing product offering and international racing pools.

Tim Higgins was appointed CEO of Tote Ireland in September 2012. A chartered accountant, he has a successful track record in strategic planning, operations and team leadership. A successful racehorse owner with a life-long interest in thoroughbred racing and breeding, he is a regular racegoer at home and abroad.





HRI RACECOURSE DIVISION

HRI Racecourse Division is responsible for the operation of:

- Leopardstown,
- Fairyhouse,
- Navan, and
- Tipperary.

The four racecourses ran 69 race meetings in 2012. This resulted in a combined attendance of 240,613 which represented a 3% decrease in attendances on the previous year. This decrease is explained by having one less race meeting in 2012 along with the inclement weather which played a major part in the fortunes of the racecourses in 2012 with a significant amount of cancelled and rescheduled race meetings during the year.

Bookmakers' turnover came to €21.5m which is down 19% on 2011

while the Tote betting amounted to €12.2m, showing an increase of 3% on the previous year.

HRI Racecourses participated in the Racecourse Development Grant Scheme administered by Horse Racing Ireland in 2012. This resulted in major capital improvements across all four racecourses which were mainly customer-focused. Some of these projects were completed in 2012 with the others being finalised in 2013.

LEOPARDSTOWN

2012 will be remembered for some fantastic racing at Leopardstown. September included a thrilling renewal of the Red Mills Irish Champion Stakes with Snow Fairy turning in a fantastic performance to beat Nathaniel and St Nicholas Abbey in a thrilling finish.

However, probably the most exciting race of the year was the Lexus Chase where there was a blanket finish when Tidal Bay came out just ahead of First Lieutenant, Flemenstar and Sir Des Champs.

The year will also be remembered for the adverse weather that was a feature of most of the race meetings. It rained for seven of the nine "Live at Leopardstown" summer evening meetings. Against this background, the attendances for the year were down less than 2% on 2011 to 142,374 over 23 race meetings. There was a reduction in both bookmakers (€11.4m) and Tote (€7.1m) turnover. These were down 19% and 10% respectively during the year.

During the year Leopardstown attracted a number of new sponsors

HRI RACECOURSE DIVISION (CONTINUED)

to add to an already quality list of supporters. Boylesports sponsored two races on the first day of the January Jumps Weekend, and in addition to the sponsorship, they also offered winning bonuses to successful horses that went on to win at Cheltenham. Leopardstown welcomed ICON plc and KPMG who supported two of the top races on Champions Day. The ICON Breeders Cup Juvenile Turf Trial has attracted a Breeders' Cup accreditation and will become a part of the Breeders' Cup Challenge Series. This will further enhance the international status of Champions Day at Leopardstown. At Christmas, Leopardstown welcomed Q8 Oils and Bewley's Hotels which were two great additions to the festival.

March 28th saw the inaugural Leopards-town Student Race Day with almost 6,700 students attending the race meeting at Foxrock.

During the year, Leopardstown continued the investment programme which has been a feature of the course for many years. The major redevelopment of the third floor of the Grandstand will be completed by June 2013 and should make a major contribution to the enjoyment of racing. There was further investment in the drainage on the racecourse during the year. This on-going programme proved its worth last year as a number of meetings were saved that would otherwise have been lost to the elements.

Leopardstown Golf Centre continues to go from strength to strength. The year saw growth in playing numbers and an increase in the driving range attendances. Leopardstown continued to invest in the facilities to improve the experience of its customers with particular focus on junior golfers.

FAIRYHOUSE

The highlight of the calendar was the annual Grand National Festival which took place from April 8th to 10th. Attendance for the 3 days was 26,162 which was on par with the previous year. The highlight was the Ladbrokes Irish Grand National, which this year saw success for the Tom Gibney-trained Lion Na Bearnai for the local Lock Syndicate. It was also a great success for jockey Andrew Thornton. This was a great story for the smaller operations which are the backbone of Irish National Hunt racing. The meeting opened with local success for the popular Peter Casey-trained Flemenstar under Ashbourne jockey Andrew Lynch in the Grade 1 Powers Gold Cup.

The Bar One Racing sponsored Premier Jump Racing weekend also attracted the cream of National Hunt stars as they set out on the start of their season. This year the Bar One Racing Royal Bond Hurdle was won by Jezki with Champagne Fever in second and these two horses went on to further Grade 1 success as the season progressed. Arvika Ligeonniere and Zaidpour claimed the other Grade 1 honours on the day.

The weather played a central role in the story of Fairyhouse in 2012. The racecourse had to irrigate to ensure good jumping ground in the lead up to the Easter Festival. Over 15mm of rain fell during the morning of the Grand National which led to a contraction in attendance. The rain continued for the summer months and led to the cancellation of Fairyhouse's main flat fixture featuring the Group 3 Brownstown Stakes on July 4th. The first phase of a major drainage plan also commenced during the summer months.

The investment in facilities continued in 2012 with the building of new entrance gates and fencing, refurbishment of the self-service restaurant, new playground and a new storage shed for machinery and starting stalls.

The Sunday market continues to develop and is a key contributor to Fairyhouse attracting large crowds every Sunday.

Overall attendance was 54,206 for the 20 race meetings staged in 2012. This represented a 1% increase on the previous year. Tote turnover was up 13% to €2.2m while bookmaker turnover was down 8% to €5.5m.

NAVAN

Navan raced 16 times in 2012, comprising 10 National Hunt meetings and 6 Flat meetings. As a result of the inclement weather, Navan lost one race meeting in December. Overall attendances for the year were 31,512,

a 4% decrease on last year, when Navan held 19 fixtures. In a similar trend to some of the other racecourses, Tote betting was up to €1.5m while bookmaker turnover was down to €3.4m.

The Ladbrokes.com Troycourt Chase attracted an attendance of 3,373 and was supported by Navan Town Centre who sponsored the Best Dressed Lady Competition. 2012 saw horses such as Flemenstar, Our Conor and Tofino Bay make successful appearances at Navan. Navan had encountered a difficult winter campaign due to sustained and prolonged periods of bad weather in the build-up to all its fixtures.

Navan also undertook improvements in its customer facilities, adding a children's indoor and outdoor play area along with a new coffee shop, all located in close proximity to the enclosures. These enhancements will further help to attract more customers to Navan for both racing and private events.

The Flat racing programme which commenced in April featured the Salsabil Stakes and Vintage Crop Stakes and again this year Fame And Glory was victorious. The two October Flat meetings saw both Kingsbarns and Loch Garman make winning debuts before going on to taste Group 1 success in the UK and France.

The Golf Course also undertook a number of new initiatives to increase membership and green fee business and received a positive uptake of the

packages offered. Navan Golf Course attracted 28 new annual members in 2012. Despite this, the Navan golf operation remains under pressure in the current economic environment.

TIPPERARY

In 2012 Tipperary Racecourse staged 10 fixtures, one less than the scheduled 11 due to the adverse weather conditions. Attendances were down 27% from 17,196 in 2011 to 12,521 in 2012. This included two less meetings and two rescheduled meetings. Despite the reduced fixtures, the Tote turnover was up to €1.5m but bookmaker turnover of €1.1m was down 45%.

A decision was taken at the start of the year to realign admission prices for 2012 and remove all 'discounted' and 'free' promotions. The adult entry went from €15 to €10, while students and seniors went from €10 to €8, with all under 18s attending for free. When the weather and conditions were favourable the fixtures performed very well. The attendance at the Super Sunday fixture in October was up 48% on 2011.

Once again in 2012, some very smart horses raced at Tipperary during the year with some notable performances coming from animals that went on to better things at a higher level. The May 3rd race meeting produced a very noteworthy winner in the shape of Gordon Lord Byron, trained by Tom Hogan and ridden by Fran Berry. It may have looked a typically competitive sprint handicap on that occasion but

Gordon Lord Byron went on to become one of the most improved horses in the country, a couple of months later winning the Group 1 Prix de la Foret on the same day as the Prix de l'Arc de Triomphe at Longchamp.

On the National Hunt scene, the star performer was undoubtedly Rebel Fitz who proved a convincing winner of the Kevin McManus Bookmaker Grimes Hurdle on July 22nd. Trained by Michael Winters and given a perfect ride by Davy Russell, Rebel Fitz defeated Captain Cee Bee in fine style before taking the hugely competitive Guinness Galway Hurdle Handicap at the big Galway Summer Festival just 11 days later.

Tipperary embarked on a major capital development programme in 2012. The start of the year saw the completion of the 42 stall stable barn which has been very well received by the industry. As part of the Racecourse Development Grant Scheme administered by Horse Racing Ireland, the racecourse got approval to commence the redevelopment of the enclosure which will include a new entrance building, saddling stalls, redesigned bookmaker ring and more. These will be ready in time for the 2013 racing season.

IRISH THOROUGHBRED MARKETING REVIEW

Established in 1991, Irish Thoroughbred Marketing (ITM) is a not-for-profit, limited company funded by Horse Racing Ireland and by different sectors of the Irish bloodstock industry, including breeders through the foal levy, sales companies and stallion farms.

ITM aims to be the first point of contact for any overseas person seeking information on any aspect of the Irish Bloodstock Industry. ITM is there to make visits to Ireland as straightforward and enjoyable as possible for overseas persons seeking to conduct bloodstock business in Ireland.

The main focus of ITM is to generate inward investment and to increase export sales of Irish bloodstock. Ireland remains the largest producer of thoroughbred foals in Europe and the fourth largest in the world, behind the US, Australia and Argentina. Therefore, ITM's role in promoting exports is vital. This role is made easier by the tremendous product that Irish breeders and vendors produce year on year and in 2012, the Irish-bred horse continued to perform at the highest level around the world with Group 1 victories in countries as diverse as Australia, France, Hong Kong, UK, USA, Singapore etc.

At the Cheltenham Festival, 12 of the 27 races were won by Irish-bred horses, including the Gold Cup (Synchronised), Champion Hurdle (Rock On Ruby) and Champion Chase (Finian's Rainbow). Irish-bred horses won six Grade 1 races and Irish jockeys won an amazing 22 of the 27 races, with Barry Geraghty finishing the festival as top jockey.

At Aintree, Irish woman Katie Walsh became the first lady rider in history to finish in the frame in the world's greatest steeplechase, the Aintree Grand National. She gave Seabass a terrific ride to finish an excellent third behind Neptune Collonges.

Despite some atrocious weather conditions, the staff at Punchestown Racecourse worked wonders to get through the five day festival, the finale of the Irish National Hunt season, which saw a well-deserved first Champion National Hunt Jockey's title for Davy Russell. Incredibly, Irishman Tony McCoy won his 17th British Champion National Hunt Jockey's title in 2012.

On the Flat, the Ballydoyle team again posted stunning results in 2012. They almost completed a clean sweep of the British Classics, winning four out of five. At the Breeders' Cup, Ballydoyle's George Vancouver was one of only two European winners.

"The Olympics of horseracing" in Europe is Royal Ascot and Irish-bred and Irish-trained horses enjoyed tremendous success at the meeting in 2012, with an excellent total of eight Irish-trained, and twelve Irish-bred winners. Europe's highest rated two-year-old in 2012, the Jim Bolger homebred Dawn Approach, was one of those Royal Ascot winners and he remained unbeaten in 2012 with 6 wins from 6 runs. His final win of the season came in the Group 1 Darley Dewhurst Stakes at Newmarket, amazingly providing Jim Bolger with his fifth win in the race in seven years. In the 2012 World Thoroughbred Rankings of European two-year-olds, seven of the top eleven were Irish-bred, with the top four trained in Ireland. Indeed, six of the last seven European Champion two-year-olds were trained in Ireland, with five of them also bred here.

The Irish-bred Snow Fairy also swelled her fan club even further in 2012, rounding off the year with a gutsy and classy performance to win the Group 1 Red Mills Irish Champion Stakes at Leopardstown in September.

In October, another prestigious day in the world racing calendar saw more stunning Irish success, when six of the nine winners on Qatar Prix de l'Arc de Triomphe day, were foaled in Ireland, one of which was also Irish trained – The Group 1 Qatar Prix de la Foret winner Gordon Lord Byron, trained in Tipperary by Tom Hogan. British Champions Day became Irish Champions Day with a tremendous four out of the five stakes races won by Irish-trained horses. This was closely followed by a remarkable feat to finish off the season in the 'the race that stops a nation', the Melbourne Cup, when the first seven horses home were all Irish-bred. A truly remarkable feat to think that seven horses foaled in Ireland travelled to the other side of the world to finish in the top seven places in Australia's most famous race.

On the breeding front, the world's top stallions continue to be based in Ireland and multiple champion sire Galileo enjoyed another outstanding year in 2012, with his sons and daughters continuing their domination in the sales ring and on the track, headed by the mighty Frankel, the highest rated racehorse in history.

The bloodstock market was yet again a star performer for the Irish industry. From an ITM perspective, the most significant indicator is the value of bloodstock sold at public auction in Ireland. The figure is directly influenced by the level of inward investment by overseas bloodstock buyers, in addition to the activity of the domestic market. After dropping 62% in two years from 2007 to 2009, the figure showed a modest increase in 2010, but a significant 18% increase in 2011 to €81m. In 2012 this figure rose significantly again, to €94m, giving very encouraging signs that the market is enjoying a comeback. International investment was greater than ever at these sales, with horses being exported to over 30 different countries.

The UK remains Ireland's largest market and ITM maintained significant involvement there in 2012, with major sponsorships at Chester, Newmarket and York. This sponsorship enables ITM and representatives of the Irish sales companies to make contact with both existing and new clients of the Irish bloodstock industry in advance of the major Irish bloodstock sales. ITM also continued its association with Cheltenham Racecourse, gaining a considerable presence at the home of British National Hunt racing.

As a global centre of excellence, Ireland is second to none for all aspects of the thoroughbred industry, be it for education, establishing a bloodstock enterprise, or for all the other ancillary services including veterinary, farriery, feed and nutrition and ITM will continue to work hard to promote this fact. ITM is confident that further progress can be made promoting Ireland overseas as a source for quality bloodstock for export or indeed to leave in training in Ireland, with new markets to be focused on in 2013 including Argentina, Brazil, Chile and Mongolia.

One of the highlights of January is the Goffs Thyestes Chase day at Gowran Park and 2012 saw Champion trainer Willie Mullins saddle the winners of the two most valuable races on the card, including the feature race with the David Casey-ridden On His Own. The month was closed out by the new January Jumps Weekend at Leopardstown and the first day proved to be a big one for the Walsh family, with them completing a notable double that included the valuable Leopardstown Handicap Chase with Seabass, trained by Ted Walsh and ridden by his daughter Katie. The main event was the BoyleSports.com Hurdle and it produced a thrilling finish with the Jessica Harrington-trained Citizenship being delivered with an extremely well-timed challenge by Robbie Power to claim the spoils. All eyes were on the returning Champion Hurdler Hurricane Fly in the featured Grade 1 BHP Insurance Irish Champion Hurdle on the second day at Leopardstown

and Willie Mullins' stable star exceeded all expectations, producing a stunning winning performance.

The first big race of February saw the Henry de Bromhead-trained Sizing Europe underline his status as Ireland's leading two-mile chaser with an imperious display in the featured Grade 2 BoyleSports.com Tied Cottage Chase at Punchestown. Willie Mullins dominated at Leopardstown the following Sunday, completing a treble that included the featured Grade 1 Hennessy Gold Cup with Quel Esprit. The following weekend, the Grade 2 Red Mills Chase was the feature race at Gowran Park and it saw a powerful winning performance from the Robbie Hennessy-trained Rubi Light.

The month also proved successful for Irish-trained horses abroad, with David Marnane sending out Nocturnal Affair to win the valuable Al Naboodah Construction Group at Meydan in

Dubai and Maurice Phelan saddling Portrait King to win the Betfred Eider at Newcastle. Irish eyes were once again smiling at Meydan in Dubai at the beginning of March, with Irish-trained sprinters completing a 1-2-3 in the valuable Meydan Sprint, led home by the Michael Halford-trained Invincible Ash.

The opening day of the Cheltenham Festival in March saw Quevega winning the David Nicholson Mares' Hurdle for a remarkable fourth year in succession. Willie Mullins also provided the sole Irish winner on both the second and third days of the meeting, with Champagne Fever recording a game success in the Weatherbys Champion Bumper under Patrick Mullins and Sir Des Champs running out the impressive winner of the Jewson Novices' Chase under Davy Russell.

The final day of the Cheltenham Festival was a better one for the Irish, with two

Irish-trained horses coming out on top. The Tom Mullins-trained Alderwood got the ball rolling in the Vincent O'Brien County Handicap Hurdle, while Ireland's second winner came courtesy of a notable family success in the Christie's Foxhunter Chase Challenge Cup, with the Rodger Sweeney-trained Salsify gamely holding on under the trainer's son Colman. In terms of Festival totals, Irish jockeys won 22 of the 27 races and Irish-bred horses won 12 races including 6 of the Grade 1 contests.

Wayne Lordan was the star performer on the opening day of the Flat season at the Curragh at the back end of the month, completing a treble that included the featured Group 3 Lodge Park Stud EBF Park Express Stakes on the David Wachman-trained Chrysanthemum. The pick of the remainder of the action was the www.thetote.com Irish Lincolnshire and it saw the John Oxx-trained Sharestan land a notable gamble

under Johnny Murtagh. The month was brought to a close by the Dubai World Cup meeting at Meydan and Aidan O'Brien got Ireland on the score sheet by saddling Daddy Long Legs to win the Group 2 UAE Derby.

The Fairyhouse Easter Festival opened April with a bang, with the Peter Casey-trained Flemenstar producing a show-stopping performance in the featured Grade 1 Powers Gold Cup under a positive ride from Andrew Lynch. The highlight of the entire Festival was the fairy tale conclusion to the Ladbrokes.com Irish Grand National, with Lion Na Bearnai running out the hugely popular winner. One of just five horses trained by Tom Gibney, he exhibited an admirably game attitude to grind out a hard fought victory under Andrew Thornton.

The Festival roadshow rolled into Punchestown next and Ireland's top two-mile chaser Sizing Europe took

centre stage on the opening day of the festivities by winning the featured Grade 1 BoyleSports.com Champion Chase. Heavy rain threatened to lead to the abandonment of the second day of the Punchestown Festival, but a massive effort from all involved ensured that racing went ahead, albeit a five-race card after the chase track was deemed unraceable. Once it got underway, Willie Mullins proved utterly dominant, winning four of the five races including both Grade 1 events.

One of the clashes of the season took place on the third day of the festival with the brilliant mare Quevega producing an electric performance to see off the game Voler La Vedette in the Grade 1 Ladbrokes.com World Series Hurdle. Hurricane Fly was the star turn on the Friday of the Festival, returning to winning ways in the Grade 1 Rabobank Champion Hurdle. The rearranged www.thetote.com Punchestown Gold

RACING REVIEW (CONTINUED)

Cup was the main event on the final day of the Punchestown Festival and it produced a shock result with the Mouse Morris-trained China Rock prevailing at 20/1.

At the conclusion of the festivities, Minister for Agriculture, Food and the Marine, Simon Coveney presented the end of season awards to Willie Mullins (Champion Trainer), Davy Russell (Champion Jockey) and J.P. McManus (Champion Owner). Mullins' son Patrick Mullins took the Champion Amateur Award, while Pat Mangan was crowned leading Conditional Rider.

May started off with the Aidan O'Brien-trained Camelot confirming his status as a star of the racing scene by maintaining his unbeaten record in the Qipco 2,000 Guineas at Newmarket. The following day, Aidan O'Brien completed a remarkable Guineas double at Newmarket, saddling Homecoming Queen to record a wide margin win in the Qipco 1,000 Guineas. The month was rounded off by the Guineas weekend at the Curragh and Aidan O'Brien continued his domination

of the Classic scene on the opening day of proceedings, saddling three of the first four home in the Abu Dhabi Irish 2,000 Guineas with the Joseph O'Brien-ridden Power leading the way. The Etihad Airways Irish 1,000 Guineas was the feature race on the second day and the prize headed across the Irish Sea after the Mick Channon-trained Samitar emerged on top. The other Group 1 on the card was the Tattersalls Gold Cup and it was the Aidan O'Brien-trained So You Think that stormed home six lengths clear.

June commenced with Aidan O'Brien continuing his domination of the British and Irish Classic scene. Over at Epsom, the O'Brien-trained Was profited from a superb ride from Seamie Heffernan to run out the neck winner of the Investec Oaks. The win represented a notable milestone for O'Brien, as it was the 200th Group 1 win of his amazing career. The next day, O'Brien sent out the exceptionally talented Camelot to stamp his authority on the Epsom Derby, confirming his status as the new star of Irish Flat racing by recording a very impressive five

lengths victory under Joseph O'Brien. That success completed a memorable double for the O'Briens, as they had already combined with St Nicholas Abbey to run out the highly impressive winner of the Group 1 Diamond Jubilee Coronation Cup.

The middle of June is always all about Royal Ascot and this year's meeting was a memorable one for the Irish, with them equalling the previous record of eight Irish-trained successes. The Jim Bolger-trained Dawn Approach got the ball rolling in the Group 2 Coventry Stakes on the opening day of proceedings while the second day was a memorable one for Aidan O'Brien, with him saddling the Joseph O'Brien-ridden So You Think to run out the authoritative victor in the featured Group 1 Prince Of Wales's Stakes.

The sole Irish winner on the third day of the meeting was the Dermot Weld-trained Princess Highway in the Group 2 Ribblesdale Stakes, while the last day was notable for producing two Irish-trained winners. Dandy Boy got the

ball rolling in the Wokingham Stakes, giving David Marnane his first success at the meeting. The second win was perhaps even more remarkable, as it saw Willie Mullins send out Simenon to record his second win of the week in impressive fashion in the Queen Alexandra Stakes.

The unbeaten superstar of Irish racing Camelot made his eagerly anticipated return to home soil for the featured Dubai Duty Free Irish Derby at the Curragh on the last day of the month, but the unsuitably heavy ground conditions required him to fight for the win. Trained by Aidan O'Brien and ridden by Joseph O'Brien, the son of Montjeu did not enjoy the underfoot conditions at all, but he showed guts to match his talent in beating off the challenge of Born To Sea by two lengths.

Tyrone-based trainer Andy Oliver enjoyed a big race success at Newmarket in the middle of July, saddling Sendmylovetorose to win the Group 2 Irish Thoroughbred Marketing Cherry Hinton Stakes. Aidan O'Brien secured

yet another Group 1 the following Saturday, saddling Imperial Monarch to win a thrilling renewal of the Grand Prix de Paris at Longchamp. The 2012 Darley Irish Oaks at the Curragh attracted one of the strongest fields in years and it was the John Gosden-trained Great Heavens that took the spoils for Britain.

August began in the grip of Galway Festival fever and as usual the Ballybrit festivities were a great success. In terms of the feature races of the week, the www.thetote.com Galway Plate Handicap Chase produced a game winner in the shape of the Tom Mullins-trained, Mark Walsh-ridden Bob Lingo, but the real drama was saved for the Guinness Galway Handicap Hurdle, with it producing one of the most popular and dramatic results of recent years. In a very close finish, Rebel Fitz, trained in Kanturk by the popular Michael Winters, held on for a head success under Davy Russell.

As it is now customary at the Galway Festival, Dermot Weld proved to be a dominant force, saddling nine

winners throughout the week which secured him his 26th Leading Trainer Award at the meeting. His stable jockey Pat Smullen took the Leading Riding Award having partnered seven winners. Over at Glorious Goodwood, there was a notable Irish success with the John Oxx-trained Saddler's Rock recording an authoritative win in the Group 2 Artemis Goodwood Cup.

Domestic Group 1 action returned in the shape of the Group 1 Keeneland Phoenix Stakes at the Curragh and this year's renewal saw the Aidan O'Brien-trained Pedro The Great storm home under Seamie Heffernan. The main supporting race on the card was the Group 2 Keeneland Debutante Stakes in which Pat Shanahan enjoyed a notable first group race success as a trainer with My Special J's. Fast rising trainer Andy Oliver had a weekend to remember at the Curragh at the back end of the month, saddling the winner of the feature race on each of the two days of the meeting, including First Cornerstone to win the Group 2 Galileo European Breeders Fund Futurity Stakes.



RACING REVIEW (CONTINUED)

September commenced with Group 1 action at Leopardstown and the roof was raised at the conclusion of the featured Red Mills Irish Champion Stakes with the extremely popular Snow Fairy recording a memorable win. Ridden by Frankie Dettori, Ed Dunlop's five-year-old showed that the serious injury she suffered last year had not diminished her ability by beating off the challenge of Nathaniel. There was controversy in the other Group 1 on the card, the Coolmore Fusaichi Pegasus Matron Stakes, with the David Wachman-trained Duntle seeing off the Henry Cecil-trained Chachamaidee by a short-head in a rough race, only for the stewards to reverse those placings in the subsequent stewards' inquiry.

There was high drama back at Doncaster a week later, with the much anticipated Triple Crown bid of Camelot ending in disappointment in the St Leger. On the same day, the Group 1 Gain Horse Feeds Irish St Leger was the co-main event at the Curragh and it produced an exciting finish, with Royal Diamond scoring by a head in a dramatic four-way photo finish. The six-year-old stayed on gamely in the closing stages to lead in the very last stride, giving trainer Tommy Carmody and rider Niall McCullagh their first successes at Group 1 level. The other Group 1 on the card was the Goffs Vincent O'Brien National Stakes and it produced the future European Champion Two-Year-Old, with

the Jim Bolger-trained Dawn Approach maintaining his unbeaten record with a dominant success under Kevin Manning.

The Listowel Harvest Festival got underway amidst unpleasant weather conditions but that did not dampen the festivities too much. The Guinness Kerry National Handicap Chase was the highlight of the week and Rathkeale trainer Eric McNamara will always remember this year's race. Not only did he secure his third win in the last six renewals of the race courtesy of the shock 33/1 success of Faltering Fullback, but he also saddled Questions Answered to finish second. The welcome arrival of the sun on Ladies' Day at Listowel resulted in the biggest attendance of the week with 27,808 racegoers.

Tipperary's Super Sunday meeting in early October proved to be as exciting as ever. The highlight of the high-class mixed card was the Grade 2 Friends Of Tipperary Hurdle and it produced a popular winner in the shape of the veteran performer Captain Cee Bee. Over at Longchamp, the Irish enjoyed a memorable success later on Arc weekend, with the Tom Hogan-trained Gordon Lord Byron completing a meteoric rise up the ranks by winning the Group 1 Qatar Prix de la Foret.

British Champions Day has quickly become one of the highlights of the Flat season and this year's festivities

proved to be very lucrative for the Irish raiding party, claiming four of the five feature races on the card. In terms of prestige, the impressive win of the Aidan O'Brien-trained, Joseph O'Brien-ridden Excelebration in the Group 1 Queen Elizabeth II took centre stage, but Dermot Weld did his best to take the spotlight by teaming up with Pat Smullen to complete a double. The pick of their brace was the last-gasp success of Rite Of Passage in the Qipco British Champions Long Distance Cup on what was his return from over 500 days off the track due to injury. A marvellous day for the Irish was rounded off by the win of Maarek in the Qipco British Champions Sprint Stakes for trainer David Nagle.

The month was wound up by the Group 1 Racing Post Trophy at Doncaster and this season's renewal produced a winner of the highest class in the shape of the Aidan O'Brien-trained Kingsbarns. Over in France, Jim Bolger added to what had already been an excellent season by securing another Group 1 winner with Loch Garman in the Criterium International at Saint-Cloud. The two day Breeders' Cup meeting at Santa Anita was the focus of much of the racing world on the first weekend of November and while there was precious little success for the European raiders, Aidan O'Brien did strike for Ireland by saddling George Vancouver to win the Juvenile Turf on the Saturday.

Back at home, the Flat season came to a close at Leopardstown with trainer Aidan O'Brien, jockey Joseph O'Brien, apprentice Ronan Whelan and owner Derrick Smith taking the honours for 2012. Following a closely fought battle with six-time champion Pat Smullen, Joseph O'Brien was crowned Champion Jockey just one year after winning the Champion Apprentice title – a feat that has not been achieved in over 60 years. Additionally, a father and son combination winning Champion Trainer and Champion Jockey titles in the same year was last recorded in 1916.

With the National Hunt season back in full swing in November, Hurricane Fly the highest-rated hurdler in Ireland, also made a victorious return to action, winning the Grade 1 Morgiana Hurdle at Punchestown in fine style. Willie Mullins and Ruby Walsh were the team in form at Fairyhouse in early December, combining to claim two of the three Grade 1 races on the card, with both winners carrying the well-known Rich Ricci silks. They got off the mark courtesy of the powerful all-the-way victory of Arvika Ligeonniere in the Bar One Racing Drinmore Novice Chase and doubled up in the featured Bar One Racing Hatton's Grace Hurdle with Zaidpour. A week later Flemenstar, trained by the charismatic Peter Casey, confirmed his star status by bolting up in the feature race at Punchestown, the Grade 1 John Durkan Memorial Punchestown Chase.

Willie Mullins and Paul Townend were the team to follow on the opening day of the Leopardstown Christmas Festival, combining to win both graded races on the card. Sizing Europe was the star attraction on the second day, while the Paddy Power Future Champions Novice Hurdle produced a promising winner in the shape of the Jessica Harrington-trained Jezki. Ruby Walsh was the star performer on day three of Leopardstown's Christmas Festival, completing a treble that included the Topaz Novice Chase, with him showing all his strength to get the Willie Mullins-trained Back In Focus up in the dying strides to prevail by a head.

Hurricane Fly was the star attraction on the closing day of the Leopardstown Christmas Festival and the eight-year-old won his 13th Grade 1 contest in sublime style in the featured Istabraq Festival Hurdle. Elsewhere on the card, Zuzka will forever hold a special place in Patrick Mullins' heart as her victory brought him to the 73 winners mark for the year, breaking the 97-year-old amateur riders' record which was set by Billy Parkinson way back in 1915.

AUDITED REPORTS & GROUP FINANCIAL STATEMENTS

MEMBERS AND OTHER INFORMATION

MEMBERS

Mr. Joe Keeling
Mr. Denis Brosnan
Mr. Roderick Ryan
Mr. Bernard Caldwell
Mr. Noel Cloake
Mr. William Flood
Mr. Joe Hernon
Mr. Michael Hickey
Mr. Francis Hyland
Mr. John McStay
Mr. Noel Meade
Mr. John Moloney
Mr. Jim Nicholson
Mr. Neville O'Byrne
Ms. Mary O'Connor
Mr. John Power

Chairperson (Appointed 20 March 2013)
Chairperson (Resigned 19 March 2013)
(Vice Chairperson)

(Retired 5 February 2012)
(Re-appointed 6 February 2012)

(Appointed 6 February 2012)
(Re-appointed 6 February 2012)

SECRETARY

Mr. Raymond Horan

REGISTERED OFFICE

Ballymany
The Curragh
Co. Kildare

AUDITORS

Comptroller and Auditor General
Dublin Castle
Dublin 2

SOLICITORS

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2

BANKERS

Bank of Ireland
Allied Irish Banks p.l.c.
Ulster Bank Ireland Limited
KBC Bank Ireland p.l.c.
Permanent tsb Group Holdings p.l.c.



STATEMENT OF MEMBERS' RESPONSIBILITIES

The members of Horse Racing Ireland are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Horse Racing Ireland and the Group and of the result for the Group for that period. In preparing those financial statements, the members of Horse Racing Ireland are required to:

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

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


Joe Keeling,
Chairperson


Roderick Ryan,
Vice Chairperson

23rd September 2013
Date

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

HORSE RACING IRELAND

I have audited the financial statements of Horse Racing Ireland for the year ended 31 December 2012 under the Horse and Greyhound Racing Act 2001. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the group income and expenditure account, the group statement of total recognised gains and losses, the group balance sheet, the Horse Racing Ireland balance sheet, the group cash flow and the related notes. The financial statements have been prepared in the form prescribed under Section 13 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of Horse Racing Ireland

Horse Racing Ireland is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of Horse Racing Ireland's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of

- whether the accounting policies are appropriate to Horse Racing Ireland's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read Horse Racing Ireland's Annual Report to identify if there are any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Group's and Horse Racing Ireland's affairs at 31 December 2012 and of the Group's income and expenditure for 2012.

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


Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in Horse Racing Ireland's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect Horse Racing Ireland's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

Non compliance with procurement rules

The audit identified a number of instances where Horse Racing Ireland procured services in a manner that did not comply with public procurement rules and guidelines. The statement on internal financial control discloses that certain contracts had been extended while awaiting strategic business decisions and/or Board approval.


Seamus McCarthy
Comptroller and Auditor General
28 September 2013

STATEMENT ON INTERNAL FINANCIAL CONTROL FOR HORSE RACING IRELAND FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

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

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

A formal process to identify and evaluate organisation business risks is in place. The risk management group meet regularly during the year and report to the Audit Committee at each of its meetings.

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

- Regular financial information.
- Administrative procedures including segregation of duties and responsibilities and a system of delegation and accountability.
- A comprehensive budgeting system with the detailed review process by Executives and signed off by the Board.
- Regular reviews by the Board of financial reports and key performance activity with performance measured against budgets.
- Clearly defined capital investment control procedures.

Group procurement policies and procedures are continually being reviewed to ensure compliance under the European and National legislative framework and the Code of Governance. In certain limited circumstances, contracts awarded following a formal public procurement process have been extended while awaiting strategic business decisions and/or Board approval.

Horse Racing Ireland has an outsourced Internal Audit function which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies and which reports directly to the Audit Committee and in turn to the Board of 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 Committee on behalf of the Board. In 2012, five Audit Committee meetings were held and thirteen separate reports presented.

For 2012, the head of Internal Audit provided the Board through the Audit Committee with a report on the Internal Audit activity for the year. This report includes the Head of Internal Audit's opinion on the Horse Racing Ireland system of Internal Financial Control.

I confirm that in respect of the year to 31 December 2012 the Board conducted a review of the effectiveness of the system of Internal Financial Control.


Joe Keeling,
Chairperson

23rd September 2013
Date

STATEMENT OF ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Horse Racing Ireland and all its subsidiaries made up to the end of the financial year.

TURNOVER

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

FIXED ASSETS AND DEPRECIATION

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

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

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.

ACQUISITIONS

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. Fair values of these assets and liabilities are determined by reference to market values, where available, or by reference to the current price at which similar assets could be acquired or similar obligations entered into, or by discounting expected future cash flows to present value, using either market rates or the risk-free rates and risk-adjusted expected future cash flows.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets 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.

GOODWILL

Negative goodwill arising on acquisitions is amortised to the Income and Expenditure account over the 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.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS

Financial assets are stated at cost less provision for impairments in value.

Investments

Fixed interest investment bonds are valued at cost, less provision for impairment and interest income is recognised in the Income and Expenditure account on an accruals 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.

PENSIONS

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

Defined contribution schemes

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

Defined benefit schemes

For the defined benefit schemes 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 method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Total Recognised Gains and Losses for the year in which they occur.

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

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.

Interest on the remaining obligation is charged to the Income and Expenditure account 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.

GRANTS AND RACECOURSE INCENTIVE SCHEMES

Grants paid

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

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

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Grants received

State grants are credited to income on a cash receipts basis.

State capital grants received and receivable are treated as future development reserves in the Balance Sheet and released to the Income and Expenditure account based on the estimated useful lives of the assets to which the grants relate.

TAXATION AND DEFERRED TAX

The charge for taxation is based on the profit for the year and is calculated with reference to the tax rates applying at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in periods different from those in which they are recognised in the financial statements.

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.

INVESTMENT PROPERTIES

Investment properties owned by group companies are revalued annually and are not depreciated or amortised. This treatment is a departure from the requirement of Company Law to provide depreciation on all fixed assets which have a limited useful life. However, these investment properties are not held for consumption but for investment. The directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties and changes to that current value are of prime importance rather than the calculation of annual depreciation.

Surpluses and deficits arising in the value of investment properties are disclosed as a movement on the Investment Revaluation Reserve through the Statement of Total Recognised Gains and Losses. In the event of the Investment Revaluation Reserve being insufficient to cover a diminution in value, the amount by which the diminution exceeds the reserve is charged to the Income and Expenditure account.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €'000	2011 €'000
Turnover			
Tote Ireland turnover		47,662	45,820
Betting income		2,102	2,283
Racecourse income		10,482	11,117
Total turnover		60,246	59,220
Winnings paid on bets	3	(42,318)	(39,589)
Operating costs	3	(16,164)	(16,357)
Direct costs		(58,482)	(55,946)
Income from Racing		1,764	3,274
Other income			
Allocation from the Horse and Greyhound Racing Fund	4	45,032	45,830
Prizemoney contributions from Owners and Sponsors	7	16,822	16,339
Foal Levy	5	1,430	1,602
Media income		5,436	5,388
Registrations income		3,296	3,420
Industry services income		553	559
Other income	6	437	437
Industry contributions to Irish Thoroughbred Marketing		281	251
Interest income	13	1,384	1,141
Net income		76,435	78,241
Expenditure			
Contributions to prizemoney	7	28,937	28,957
Prizemoney contributions from Owners and Sponsors	7	16,822	16,339
Integrity and racecourse services	8	8,090	8,006
Racecourse schemes	10	1,318	1,476
Capital development fund grants	10	2,423	-
Tote capital grant amortisation	15	-	27
Capital development fund interest and expenses		239	404
Grants / Fees to industry bodies	9	1,972	2,525
Foal Levy distribution	5	1,313	1,379
Other expenditure		1,112	1,342
Horse Racing Ireland administration costs	13	5,402	4,906
Irish Thoroughbred Marketing expenditure		1,419	1,367
General marketing and promotions		2,010	1,865
		71,057	68,593
Other finance expense		(465)	(276)
Exceptional items	11	-	(16,952)
Taxation	12	(152)	-
Surplus / (Deficit) for the year	13	4,761	(7,580)

The result on ordinary activities arises solely from continuing activities.
The Statement of Accounting Policies and notes 1 to 35 form part of these financial statements.


Joe Keeling,
Chairperson


Roderick Ryan,
Vice Chairperson

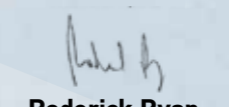
23rd September 2013
Date

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €'000	2011 €'000
Surplus / (Deficit) for the year		4,761	(7,580)
Movement on pension scheme			
Actuarial loss recognised in the pension scheme	27	(2,824)	(2,523)
Reclassification of investment properties			
Surplus on revaluation of investment properties	26	250	2,846
Write back of depreciation		-	717
Total recognised gains or losses for the year		2,187	(6,540)

The Statement of Accounting Policies and notes 1 to 35 form part of these financial statements.


Joe Keeling,
Chairperson


Roderick Ryan,
Vice Chairperson

23rd September 2013
Date

GROUP BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 €'000	2011 €'000
Fixed assets			
Tangible assets	14	77,126	77,698
Intangible assets	15	-	-
Financial assets	16	18,282	10,360
Negative goodwill	17	(9,251)	(9,688)
		86,157	78,370
Current assets			
Debtors	18	6,026	5,508
Cash at bank	19	38,277	47,107
		44,303	52,615
Creditors: Amounts falling due within one year	20	29,420	27,269
Net current assets		14,883	25,346
Total assets less current liabilities		101,040	103,716
Creditors: Amounts falling due after one year	21	8,208	15,748
Provision for liabilities and charges	24	3	2
Pension liability	27	13,617	10,941
Net assets		79,212	77,025
Capital and reserves			
Establishment reserve	25	17,193	17,193
Revenue reserves	26	45,084	44,149
Revaluation and non-distributable reserves	26	9,971	9,721
Capital reserves	26	5,000	4,000
Total establishment and other reserves		77,248	75,063
Minority interest	28	1,964	1,962
		79,212	77,025

The Statement of Accounting Policies and notes 1 to 35 form part of these financial statements.


Joe Keeling,
Chairperson


Roderick Ryan,
Vice Chairperson

23rd September 2013
Date

HORSE RACING IRELAND BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 €'000	2011 €'000
Fixed assets			
Tangible assets	14	19,567	19,669
Financial assets	16	30,851	25,407
		50,418	45,076
Current assets			
Debtors	18	3,315	2,954
Cash at bank	19	29,721	37,130
		33,036	40,084
Creditors: Amounts falling due within one year	20	24,090	21,634
Net current assets		8,946	18,450
Total assets less current liabilities		59,364	63,526
Creditors: Amounts falling due after one year	21	8,008	15,063
Pension liability	27	13,617	10,941
Net assets		37,739	37,522
Capital and reserves			
Establishment reserve	25	9,592	9,592
Revenue reserves	26	16,272	17,055
Non-distributable reserves	26	6,875	6,875
Capital reserves	26	5,000	4,000
Total establishment and other reserves		37,739	37,522

The Statement of Accounting Policies and notes 1 to 35 form part of these financial statements.


Joe Keeling,
Chairperson


Roderick Ryan,
Vice Chairperson

23rd September 2013
Date

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 €'000	2011 €'000
Net cash inflow from operations	30(i)	7,209	10,278
Return on investments and servicing of finance			
Interest received		1,384	1,144
Interest paid		(183)	(265)
Net cash inflow from returns on investments and servicing of finance		1,201	879
Taxation paid		(99)	-
Capital expenditure and financial investment			
Receipts from sale of tangible fixed assets		28	447
Payments to acquire tangible fixed assets		(2,537)	(1,148)
Loans repaid from racecourses and industry bodies		488	397
Purchase of listed investments		(8,120)	-
Net cash outflow from capital expenditure and financial investment		(10,141)	(304)
Net cash (outflow) / inflow before financing	30(ii)	(1,830)	10,853
Financing			
Bank loan repayment		(7,000)	(2,223)
Net cash outflow from financing		(7,000)	(2,223)
(Decrease) / Increase in cash	30(iii)	(8,830)	8,630

The Statement of Accounting Policies and notes 1 to 35 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. EMPLOYEE NUMBERS

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

HRI - Full time staff
HRI - Raceday casual staff (Full time equivalents)

HRI Subsidiaries - Full time staff
HRI Subsidiaries - Raceday casual staff (Full time equivalents)

	2012 Number	2011 Number
	72	73
	6	6
	78	79
	79	80
	50	48
	129	128
	207	207

The average number of individual casual employees that worked in 2012 was 315 (2011: 313).

2. EMPLOYEE REMUNERATION

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

Wages and salaries
Employer's social welfare costs

	2012 €'000	2011 €'000
	8,891	8,756
	827	796
	9,718	9,552

Included in the above figure is an amount in respect of payments paid in 2012 under a redundancy programme of €94,727.

3. DIRECT COSTS

	Winnings paid on bets		Operating costs		Total	Total
	2012 €'000	2011 €'000	2012 €'000	2011 €'000	2012 €'000	2011 €'000
Betting collection costs	-	-	399	405	399	405
Tote Ireland	42,318	39,589	5,297	5,077	47,615	44,666
HRI Racecourses Group	-	-	10,468	10,875	10,468	10,875
	42,318	39,589	16,164	16,357	58,482	55,946

4. ALLOCATION FROM THE HORSE AND GREYHOUND RACING FUND

Horse Racing Ireland 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 2004, 2009, 2010, 2011 and 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. 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.

	2012 €'000	2011 €'000
Balance on hand at beginning of year	720	937
Collected during the year	1,430	1,602
Expenditure in the year:		
Breeders' prizes and sponsorship	48	48
Irish Equine Centre	800	875
Irish Thoroughbred Breeders' Association	400	410
Irish Thoroughbred Marketing	400	440
Others	65	46
	1,713	1,819
Balance on hand at end of year (included in revenue reserves)	437	720

Irish Thoroughbred Marketing expenditure of €400,000 (2011: €440,000) is eliminated on consolidation and shown under Irish Thoroughbred Marketing expenditure in the Group Income and Expenditure account.

6. OTHER INCOME

Negative goodwill amortisation (Note 17)

	2012 €'000	2011 €'000
Negative goodwill amortisation (Note 17)	437	437

7. CONTRIBUTIONS TO PRIZEMONEY

From Sponsors
From Owners

From Horse Racing Ireland

	2012 €'000	2011 €'000
From Sponsors	5,865	5,211
From Owners	10,957	11,128
	16,822	16,339
From Horse Racing Ireland	28,937	28,957
	45,759	45,296

This relates to contributions to prizemoney under rules and point to points.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8. 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.

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.

	2012 €'000	2011 €'000
Integrity	5,397	5,409
Racecourse services	2,693	2,597
	8,090	8,006

9. GRANTS / FEES TO INDUSTRY BODIES

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

Irish Equine Centre
RACE
Order of Malta
Blue Cross
Other Industry Bodies

	2012 €'000	2011 €'000
Irish Equine Centre	695	1,344
RACE	525	525
Order of Malta	444	385
Blue Cross	172	168
Other Industry Bodies	136	103
	1,972	2,525

10. RACECOURSE SCHEMES AND CAPITAL GRANTS

Racecourse schemes

Levy and pitch fee payments to racecourses
Tote percentage betting payments

	2012 €'000	2011 €'000
Levy and pitch fee payments to racecourses	1,213	1,347
Tote percentage betting payments	105	129
	1,318	1,476

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

Capital grants

Capital development fund grants

	2012 €'000	2011 €'000
Capital development fund grants	2,423	-

The Board of Horse Racing Ireland established a new capital development scheme for racecourses in 2012. 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 Income and Expenditure account and the payments relate to payments made to third party owned racecourses only.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11. EXCEPTIONAL ITEMS

Impairment of assets

	2012	2011
	€'000	€'000
Impairment of assets	-	(16,952)

During 2011, the Horse Racing Ireland Group carried out a review of all its land and building assets and as a result of this exercise there was an impairment charge of €16.952m.

12. TAXATION

Corporation tax charge

Deferred tax movement (Note 24)

Taxation charge for the year

	2012	2011
	€'000	€'000
Corporation tax charge	151	49
Deferred tax movement (Note 24)	1	(49)
Taxation charge for the year	152	-

Reconciliation of Profit of taxable entities at standard rate:

Profit on ordinary activities before taxation

Profit on ordinary activities before taxation at the standard rate

Effect of:

Non deductible expenses

Non allowable income

Release of funds held by HRI

Depreciation in excess of capital allowances

Income taxable at higher rate

Losses carried forward from previous years

Write back of intercompany loan

Corporation tax charge for the year

Profit on ordinary activities before taxation	2,380	2,988
Profit on ordinary activities before taxation at the standard rate	298	373
Effect of:		
Non deductible expenses	16	56
Non allowable income	(112)	(114)
Release of funds held by HRI	-	(275)
Depreciation in excess of capital allowances	162	125
Income taxable at higher rate	80	32
Losses carried forward from previous years	(146)	(148)
Write back of intercompany loan	(147)	-
Corporation tax charge for the year	151	49

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 €242,000 (2011: €355,000) has not been recognised in the financial statements as there is insufficient evidence that the asset will be recovered in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13. SURPLUS / (DEFICIT) FOR THE YEAR

Surplus / (Deficit) for the year has been arrived at after charging:

Depreciation

Intangible assets amortisation

Auditors' remuneration: Audit of group financial statements

Capital development fund interest

Finance lease / hire purchase interest

Impairment of assets

and after crediting:

Interest receivable on deposits

Interest receivable on loans

Negative goodwill amortisation

Gain on disposal of assets

Horse Racing Ireland administration costs comprise the following:

Running costs of departments - pay and non-pay

Additional pension / FRS 17

Building running costs

The remuneration package of the Chief Executive of Horse Racing Ireland was as follows:

Basic salary

Pension contributions and other taxable benefits

	2012	2011
	€000	€000
Surplus / (Deficit) for the year has been arrived at after charging:		
Depreciation	3,099	3,056
Intangible assets amortisation	-	27
Auditors' remuneration: Audit of group financial statements	98	90
Capital development fund interest	166	262
Finance lease / hire purchase interest	17	3
Impairment of assets	-	16,952
and after crediting:		
Interest receivable on deposits	1,325	1,057
Interest receivable on loans	59	87
Negative goodwill amortisation	437	437
Gain on disposal of assets	18	-

	2012	2011
	€000	€000
Horse Racing Ireland administration costs comprise the following:		
Running costs of departments - pay and non-pay	4,383	4,103
Additional pension / FRS 17	(65)	(485)
Building running costs	1,084	1,288
	5,402	4,906

	2012	2011
	€000	€000
The remuneration package of the Chief Executive of Horse Racing Ireland was as follows:		
Basic salary	191	191
Pension contributions and other taxable benefits	56	59
	247	250

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13. SURPLUS / (DEFICIT) FOR THE YEAR (CONTINUED)

Horse Racing Ireland Group Board Members' fees and expenses were as follows:

	2012 Fees €'000	2012 Mileage €'000	2011 Fees €'000	2011 Mileage €'000
Denis Brosnan	-	3	-	4
John McStay	-	-	13	-
William Flood	13	2	13	2
Francis Hyland	13	1	13	1
Jim Nicholson	13	4	13	4
Mary O'Connor	13	1	13	1
Noel Meade	13	3	13	2
Bernard Caldwell	13	1	13	1
John Power	-	4	-	4
Noel Cloake	13	1	13	1
Michael Hickey	13	-	13	-
John Moloney	13	4	13	4
Joe Hernon	13	3	13	3
Neville O'Byrne	13	1	-	-
Roderick Ryan	13	1	13	1
	156	29	156	28

Horse Racing Ireland Group Board Members' attendance at meetings was as follows:

	2012 Board Meetings	2012 Board Meetings Attended	2012 Total number of Board & Other Committee Meetings	2012 Total number of Board & Other Committee Meetings Attended
Denis Brosnan	8	8	18	17
William Flood	8	8	33	32
Francis Hyland	8	8	12	12
Jim Nicholson	8	8	18	18
Mary O'Connor	8	6	29	25
Noel Meade	8	8	35	30
Bernard Caldwell	8	8	36	36
John Power	8	7	29	25
Noel Cloake	8	8	27	24
Michael Hickey	8	7	14	11
John Moloney	8	8	25	25
Joe Hernon	8	8	20	18
Neville O'Byrne	8	8	29	26
Roderick Ryan	8	8	14	14

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

14. TANGIBLE ASSETS

GROUP

Cost and valuation

At 1 January 2012

Additions

Disposals

At 31 December 2012

Accumulated depreciation

At 1 January 2012

Charge for year

Disposals

At 31 December 2012

Net book value

At 31 December 2012

At 31 December 2011

Land & Buildings €'000	Plant, Equipment, IT Development & Vehicles €'000	Total €'000
87,952	32,280	120,232
1,320	1,217	2,537
(11)	(1,883)	(1,894)
89,261	31,614	120,875
19,562	22,972	42,534
1,620	1,479	3,099
(11)	(1,873)	(1,884)
21,171	22,578	43,749
68,090	9,036	77,126
68,390	9,308	77,698

Included above are assets held under finance leases / hire purchase agreements as follows:

Plant, Equipment, IT Development and Vehicles

Net book value

Depreciation charge

Disposals primarily represent assets at the end of their useful life and no longer in use.

	2012 €'000	2011 €'000
Net book value	39	27
Depreciation charge	132	21

HORSE RACING IRELAND

Cost and valuation

At 1 January 2012

Additions

Disposals

At 31 December 2012

Accumulated depreciation

At 1 January 2012

Charge for year

Disposals

At 31 December 2012

Net book value

At 31 December 2012

At 31 December 2011

Land & Buildings €'000	Plant, Equipment, IT Development & Vehicles €'000	Total €'000
24,689	4,933	29,622
258	438	696
-	(686)	(686)
24,947	4,685	29,632
6,424	3,529	9,953
148	648	796
-	(684)	(684)
6,572	3,493	10,065
18,375	1,192	19,567
18,265	1,404	19,669

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

14. TANGIBLE ASSETS (CONTINUED)

Included above are assets held under hire purchase agreements as follows:

Plant, Equipment, IT Development and Vehicles

	2012 €'000	2011 €'000
Net book value	33	-
Depreciation charge	111	-

Disposals primarily represent assets at the end of their useful life and no longer in use.

15. INTANGIBLE ASSETS

GROUP

Capital development grants paid

	2012 €'000	2011 €'000
At 31 December	45,790	45,790

Amortisation of grants paid

	2012 €'000	2011 €'000
At 1 January	45,790	45,763
Charge for year	-	27
At 31 December	45,790	45,790

Net book value

	2012 €'000	2011 €'000
At 31 December	-	-

Horse Racing Ireland established a capital development fund in 2004 to enable a substantial upgrading of racecourse facilities to take place. It provided up to a maximum of 55% funding with the balance being funded by the racecourses. The balance remaining is nil.

16. FINANCIAL ASSETS

GROUP

	2012 €'000	2011 €'000
Loans to racecourses / industry body	4,221	4,709
Investment in racecourse	1	1
Investment properties	5,940	5,650
Listed investments	8,120	-
	18,282	10,360

HORSE RACING IRELAND

	2012 €'000	2011 €'000
Loans to subsidiary undertakings	18,458	20,646
Investment in subsidiary undertakings	51	51
Loans to racecourses / industry body	4,221	4,709
Investment in racecourse	1	1
Listed investments	8,120	-
	30,851	25,407

Details of the principal subsidiaries of Horse Racing Ireland and their activities are set out in Note 35. During the year, amounts owed by a subsidiary company of €1.1m were written off but this has no effect on the Group accounts. The listed investments relate to fixed interest investment bonds (all of which are listed on several European Stock Exchanges). At the year end, the market value of listed investments included above at cost of €8.120m (2011: nil) was €8.636m (2011: nil). Investment properties are valued on the basis of open market value by O'Donnell Property Consultants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. FINANCIAL ASSETS (CONTINUED)

The movement on investment properties was as follows:

	2012 €'000	2011 €'000
At 1 January	5,650	-
Reclassification from fixed assets	-	2,362
Write back of depreciation	-	717
Surplus on revaluation	290	2,846
Impairment	-	(275)
At 31 December	5,940	5,650

The total effect of the revaluation of the Group's investment properties amounted to an increase of €290,000. €40,000 of this has been credited to income as it reflects a reversal of a previous impairment charge. €250,000 has been recorded in the Statement of Total Recognised Gains and Losses as an unrealised profit.

17. NEGATIVE GOODWILL

Cost

	2012 €'000	2011 €'000
At 31 December	12,310	12,310

Accumulated amortisation

	2012 €'000	2011 €'000
At 1 January	2,622	2,185
Amortised in the year	437	437
At 31 December	3,059	2,622

Net book value

	2012 €'000	2011 €'000
At 31 December	9,251	9,688

Goodwill attributable to non-monetary depreciable assets

	2012 €'000	2011 €'000
	(8,463)	(8,463)

In 2006, net assets were acquired in Fairyhouse Club Limited leading to negative goodwill arising of €12.3m.

18. DEBTORS

GROUP

	2012 €'000	2011 €'000
Trade debtors	3,092	3,221
Prepayments and accrued income	1,817	1,680
Other debtors	1,079	441
Taxation recoverable	38	166
	6,026	5,508

HORSE RACING IRELAND

	2012 €'000	2011 €'000
Trade debtors	856	1,662
Prepayments and accrued income	890	787
Amounts due from subsidiary undertakings	819	356
Other debtors	750	149
	3,315	2,954

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

19. CASH AT BANK

GROUP

	2012 €'000	2011 €'000
Horse Racing Ireland	29,721	37,130
HRI Racecourses	5,591	6,710
Tote Ireland	2,633	2,969
Irish Thoroughbred Marketing	332	298
	38,277	47,107

HORSE RACING IRELAND

29,721 **37,130**

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

GROUP

	2012 €'000	2011 €'000
Accruals	5,204	2,905
Bank loan (Note 22)	-	-
Trade creditors	2,178	2,470
Stakes due to racing clients	18,793	18,935
Deferred income	1,239	1,479
Guaranteed value races prize fund	272	272
Other creditors	1,356	859
Taxation creditors	331	331
Finance leases / hire purchase liability (Note 23)	47	18
	29,420	27,269

HORSE RACING IRELAND

Accruals	3,168	1,061
Amounts owed to subsidiary undertakings	227	46
Bank loan (Note 22)	-	-
Trade creditors	603	700
Stakes due to racing clients	18,793	18,935
Deferred income	63	117
Guaranteed value races prize fund	272	272
Other creditors	826	440
Taxation creditors	114	63
Hire purchase liability (Note 23)	24	-
	24,090	21,634

Trade creditors include amounts due to betting clients not drawn down.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Taxation creditors is split as follows:

GROUP

	2012 €'000	2011 €'000
PAYE	37	47
PRSI	23	28
VAT	22	34
Other taxes	249	222
	331	331

HORSE RACING IRELAND

VAT	-	24
Other taxes	114	39
	114	63

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

GROUP

	2012 €'000	2011 €'000
Bank loan (Note 22)	8,000	15,000
Deferred income	192	718
Finance leases / hire purchase liability (Note 23)	16	30
	8,208	15,748

HORSE RACING IRELAND

Bank loan (Note 22)	8,000	15,000
Deferred income	-	63
Hire purchase liability (Note 23)	8	-
	8,008	15,063

22. BANK LOANS

GROUP

	2012 €'000	2011 €'000
Repayable within 1 year	-	-
Repayable within 2 to 5 years	8,000	6,000
Repayable after 5 years	-	9,000
	8,000	15,000

HORSE RACING IRELAND

Repayable within 1 year	-	-
Repayable within 2 to 5 years	8,000	6,000
Repayable after 5 years	-	9,000
	8,000	15,000

Horse Racing Ireland's bank loans comprise a revolving credit facility until 2014 and then it is converted into a term loan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

23. FINANCE LEASES / HIRE PURCHASE LIABILITY

Leasing / Hire purchase obligations, net of interest, are due for repayment as follows:

GROUP

Repayable within 1 year
Repayable within 2 to 5 years

	2012 €'000	2011 €'000
	47	18
	16	30
	63	48

HORSE RACING IRELAND

Repayable within 1 year
Repayable within 2 to 5 years

	24	-
	8	-
	32	-

24. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

At 1 January
Charge / (Credit) to the Income and Expenditure account
At 31 December

	2012 €'000	2011 €'000
	2	51
	1	(49)
	3	2

The deferred tax liability arises where fixed assets are depreciated over a longer period than that over which capital allowances are recognised.

25. 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.

26. RESERVES

	Revenue Reserves	Establishment Reserve	Revaluation and Non Distributable Reserves	Capital Reserves	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000
GROUP					
At 1 January 2012	44,149	17,193	9,721	4,000	75,063
Transfer to / (from) reserves	(1,000)	-	-	1,000	-
Retained surplus for the year	4,761	-	-	-	4,761
Surplus on revaluation	-	-	250	-	250
Minority interest	(2)	-	-	-	(2)
Actuarial loss	(2,824)	-	-	-	(2,824)
At 31 December 2012	45,084	17,193	9,971	5,000	77,248

Revenue reserves at 31 December 2012 include €14.060m being the pension reserve cumulative amount charged through the Statement of Total Recognised Gains and Losses (2011: €11.236m). Capital reserves represent surpluses set aside to fund future capital development. This reserve will be released to revenue reserves on completion of such developments. Revaluation and non-distributable reserves represent revaluation surpluses arising on investment properties and non-distributable reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

26. RESERVES (CONTINUED)

	Revenue Reserves	Establishment Reserve	Non Distributable Reserves	Capital Reserves	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000
HORSE RACING IRELAND					
At 1 January 2012	17,055	9,592	6,875	4,000	37,522
Transfer to / (from) reserves	(1,000)	-	-	1,000	-
Retained surplus for the year	3,041	-	-	-	3,041
Actuarial loss	(2,824)	-	-	-	(2,824)
At 31 December 2012	16,272	9,592	6,875	5,000	37,739

27. PENSION COMMITMENTS

Horse Racing Ireland established with effect from 1 May 2007 the Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme 2007. Horse Racing Ireland has established a trust fund for holding contributions made towards benefits to be paid under the scheme and for the payment of superannuation benefits under the scheme.

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

- 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 HRI 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 Trustsure Limited) was put in place allowing Horse Racing Ireland to be an adhering body to participate in the Turf Club of Ireland Pension Scheme (the Principal Employer) from that point until 30 April 2007.
- Until 1 May 2007, two schemes operated under the Racing Board's Defined Benefit Pension Scheme and the Turf Club of Ireland Pension Scheme. Both of these schemes have now been wound up. The former Racing Board scheme had 8 active participants and 49 inactive participants at 31 December 2012. There were 30 employees of Horse Racing Ireland in the former Turf Club Scheme. The Turf Club Scheme also covered 53 employees involved in Integrity Services.
- At 1 May 2007, the two schemes merged into one scheme, encompassing all the above employees and the rest of the Turf Club employees. Total members at 31 December 2012 amounted to 159 (2011: 159). All pension obligations from both the former Racing Board Scheme and the former Turf Club Scheme are now covered in the new merged scheme. This scheme also covers the employees involved in Integrity Services who are directly funded by HRI under the Irish Horseracing Authority Act 1994, Section 42 and employed by the Turf Club. Liabilities relating to other employees of the Turf Club and the Curragh Racecourse are excluded in calculating the net pension liability disclosed underneath.
- Total employer contributions in this scheme made for the year ended 31 December 2012 were €718,000. Future expected employer contributions in this scheme are €720,000 for the year ended 31 December 2013.
- The pension cost of the defined benefit scheme is assessed on an annual basis in accordance with the advice of qualified actuaries using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27. PENSION COMMITMENTS (CONTINUED)

The principal financial assumptions for the full scheme used to calculate the retirement liabilities under FRS 17 as at 31 December 2012 were as follows:

Valuation method	Projected unit 2012	Projected unit 2011
Discount Rate	3.75%	5.00%
Future pensionable salary increases	1.25%	1.75%
Future pension increases	2.50% / 1.25% (where applicable)	2.50% / 1.25% (where applicable)
Future inflation	2.00%	2.00%

Life expectancy at 65

	2012 Year	2011 Year
Current pensioners (currently aged 65) - male	87.3	87.2
Current pensioners (currently aged 65) - female	88.7	88.6
Future pensioners (currently aged 45) - male	89.9	89.8
Future pensioners (currently aged 45) - female	90.9	90.8

The life expectancy assumptions are based on up to date mortality tables as set out in actuarial guidance and include an allowance for future improvements in life expectancy.

The expected rates of return on assets and asset distribution of the pension scheme were as follows:

Class	Rate of expected return at	Asset Distribution as percentage of total scheme assets	Rate of expected return at	Asset Distribution as percentage of total scheme assets
	31/12/2012	31/12/2012	31/12/2011	31/12/2011
Equities	7.00%	57%	7.25%	56%
Property	6.00%	3%	6.25%	3%
Fixed Interest	3.50%	38%	4.00%	40%
Cash	1.50%	2%	2.00%	1%
Total		100%		100%

The expected return on scheme assets assumption is determined based on the weighted average expected return of the underlying asset classes. The expected return on assets assumption for 2013 allows for the Government's Pension levy of 0.6% of the scheme's assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27. PENSION COMMITMENTS (CONTINUED)

Analysis of the amount charged to HRI Administration costs before amounts deducted for Curragh / Others are as follows:

	2012 €'000	2011 €'000
Current service cost	(176)	(136)
Past service cost	165	-
	(11)	(136)

Analysis of the amounts charged to other finance expense before amounts deducted for Curragh / Others are as follows:

	2012 €'000	2011 €'000
Expected return on pension scheme assets	1,370	1,696
Interest on pension scheme liabilities	(1,906)	(2,013)
	(536)	(317)

The amounts recognised in the Balance Sheet are as follows:

	2012 €'000	2011 €'000
Present value of wholly or partly funded scheme liabilities	(44,984)	(38,144)
Fair value of scheme assets	29,821	26,068
Total deficit in scheme at end of the year	(15,163)	(12,076)
	(1,546)	(1,135)
Curragh Racecourse / Others deficit included in total deficit for the year		
Net HRI liability recognised in the Balance Sheet	(13,617)	(10,941)

Changes in the present value of scheme liabilities are as follows:

	2012 €'000	2011 €'000
Opening present value of scheme liabilities	(38,144)	(36,651)
Current service cost	(176)	(136)
Interest cost	(1,906)	(2,013)
Contributions by scheme participants	(376)	(389)
Actuarial loss	(5,699)	(131)
Past service cost gain	165	-
Benefits paid	1,152	1,176
Closing present value of scheme liabilities	(44,984)	(38,144)

Changes in the fair value of scheme assets are as follows:

	2012 €'000	2011 €'000
Opening fair value of scheme assets	26,068	27,189
Expected return	1,370	1,696
Actuarial gain / (loss)	2,441	(2,769)
Contributions by employer	718	739
Contributions by scheme participants	376	389
Benefits paid	(1,152)	(1,176)
Closing fair value of scheme assets	29,821	26,068

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27. PENSION COMMITMENTS (CONTINUED)

Analysis of the amount which is recognised in the Statement of

Total Recognised Gains and Losses is as follows:

Curragh / Others actuarial loss for the year

HRI actuarial loss for the year

	2012	2011
	€'000	€'000
Curragh / Others actuarial loss for the year	(434)	(377)
HRI actuarial loss for the year	(2,824)	(2,523)

The actual return on scheme assets in 2012 was a gain of €3.811m (2011: loss of €1.073m). The cumulative gains and losses recognised in the Statement of Total Recognised Gains and Losses at 31 December 2012 is a loss of €13.765m (2011: cumulative loss of €10.507m).

Amounts for the current and previous four periods are as follows:

Year ended 31 December	2012	2011	2010	2009	2008
	€'000	€'000	€'000	€'000	€'000
Present value of scheme liabilities	(44,984)	(38,144)	(36,651)	(36,265)	(36,717)
Fair value of scheme assets	29,821	26,068	27,189	24,596	20,737
Deficit in the scheme	(15,163)	(12,076)	(9,462)	(11,669)	(15,980)
Net deficit in pension scheme in relation to HRI and Turf Club funded employees of the Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme	(13,617)	(10,941)	(8,667)	(10,634)	(14,629)
Experience adjustment arising on					
- the scheme liabilities	256	876	597	2,119	(353)
- the scheme assets	2,441	(2,769)	700	2,265	(11,411)

Defined Contribution Scheme / PRSA

a) Horse Racing Ireland operates a Defined Contribution Scheme for all other eligible employees not in the Defined Benefit Scheme. At 31 December 2012 there were 92 active participants. Horse Racing Ireland also offers a PRSA to employees not eligible to join the scheme.

b) The pension contributions for the defined contribution scheme for the year ended 31 December 2012 was €350,000 (2011: €321,000).

28. MINORITY INTEREST

At 1 January
Movement in the year
At 31 December

	2012	2011
	€'000	€'000
At 1 January	1,962	1,956
Movement in the year	2	6
At 31 December	1,964	1,962

Navan Golf Club Plc has a nominal share capital of 1,000 preference shares at 6 cent each. The share premium on issued preference shares was €1.973m at the year end. The balance of minority interest relates to the percentage of shareholdings which are not owned by the Group, as outlined in Note 35.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29. CAPITAL AND OTHER COMMITMENTS

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

GROUP

Authorised, but not contracted for

Authorised, but not contracted for, to subsidiary undertakings

Contracted

	2012	2011
	€'000	€'000
Authorised, but not contracted for	867	-
Authorised, but not contracted for, to subsidiary undertakings	1,395	-
Contracted	156	503
	2,418	503
HORSE RACING IRELAND		
Authorised, but not contracted for	867	-
Authorised, but not contracted for, to subsidiary undertakings	1,395	-
Contracted	29	-
	2,291	-

HORSE RACING IRELAND

Authorised, but not contracted for

Authorised, but not contracted for, to subsidiary undertakings

Contracted

30. (i) RECONCILIATION OF SURPLUS / (DEFICIT) FOR THE YEAR TO NET CASH INFLOW FROM OPERATIONS:

Surplus / (Deficit) for the year before tax and other finance expense

Interest receivable

Interest payable

Depreciation

Impairment of assets

Surplus on revaluation

Gain on disposal of assets

Capital development fund grants amortisation

Negative goodwill amortisation

(Increase) / Decrease in operating debtors

Increase / (Decrease) in operating creditors

Difference between pension charge and contribution

Net cash inflow from operations

	2012	2011
	€'000	€'000
Surplus / (Deficit) for the year before tax and other finance expense	5,378	(7,304)
Interest receivable	(1,384)	(1,144)
Interest payable	183	265
Depreciation	3,099	3,056
Impairment of assets	-	16,952
Surplus on revaluation	(40)	-
Gain on disposal of assets	(18)	-
Capital development fund grants amortisation	-	27
Negative goodwill amortisation	(437)	(437)
(Increase) / Decrease in operating debtors	(509)	2,768
Increase / (Decrease) in operating creditors	1,550	(3,380)
Difference between pension charge and contribution	(613)	(525)
Net cash inflow from operations	7,209	10,278

30. (ii) RECONCILIATION OF MOVEMENT IN NET FUNDS

(Decrease) / Increase in cash in the year

Repayment of bank loans

Change in net funds

Net funds at 1 January

Net funds at 31 December

	2012	2011
	€'000	€'000
(Decrease) / Increase in cash in the year	(8,830)	8,630
Repayment of bank loans	7,000	2,223
Change in net funds	(1,830)	10,853
Net funds at 1 January	32,107	21,254
Net funds at 31 December	30,277	32,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30. (iii) ANALYSIS OF CHANGES IN NET FUNDS

	At 31/12/2011 €'000	Cash Flows €'000	At 31/12/2012 €'000
Cash at Bank	47,107	(8,830)	38,277
Debt due within 1 year	-	-	-
Debt due after 1 year	(15,000)	7,000	(8,000)
	32,107	(1,830)	30,277

31. 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, but no such transactions occurred in 2012. The Board adopted procedures in accordance with guidelines issued by the Department of Finance in relation to the disclosure of interests by Board members and these procedures were adhered to during the year. The Board complied with the Department of Finance 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 under FRS 8 Related Party Disclosures 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.

Subsidiary undertakings

Transactions in the year between Horse Racing Ireland and its non wholly owned subsidiary undertakings included payroll and cost recharges of €2.207m (2011: €2.330m), bookmaker's fees of €0.343m (2011: €0.361m), sponsorship collected of €0.597m (2011: €0.643m), grants payable of €0.440m (2011: nil) and interest income of €0.184m (2011: €0.280m).

During the year, Horse Racing Ireland received repayments on financial assets of €0.785m (2011: €0.910m). Horse Racing Ireland repaid intercompany amounts of nil (2011: €2.430m).

At 31 December 2012, the amounts due from related parties were as follows:

Related party name	2012 €'000	2011 €'000
The Tipperary Race Company Plc	110	204
The Leopardstown Club Limited	4,010	4,215
Navan Races Limited	5,219	5,328
Fairyhouse Club Limited	4,792	5,006

32. CONTINGENT LIABILITY

The implementation of a Mediation Settlement Agreement which had been signed by The Leopardstown Club Limited and Templeville Developments Limited in October 2011 in full and final settlement of all previous matters in dispute between the parties has become the subject of a further dispute. As a result, The Leopardstown Club Limited has initiated court proceedings in respect of this dispute. The matter came before the court on 11 June 2013, with the proceedings concluded on 10 July 2013. The Board are satisfied that this case has no merit and, in the Boards opinion, the debts due to The Leopardstown Club Limited are recoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

33. PROPERTY

Horse Racing Ireland's main administrative office is located at the address defined on page 30 and is a freehold property.

34. APPROVAL OF FINANCIAL STATEMENTS

The Board of Horse Racing Ireland approved these financial statements for issue on 23rd September 2013.

35. PRINCIPAL SUBSIDIARIES

Direct Subsidiaries	% Held	Principal Activities
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
Indirect Subsidiaries		
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 and the operation of Navan golf course
Cork Racecourse Limited	100%	Letting of land
The Tipperary Race Company Plc	97.56%	Holding of race meetings and ancillary activities
Navan Golf Club Plc	100%	Collection of golf subscriptions
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.

