



HORSE RACING
IRELAND

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06

ANNUAL REPORT 2006



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

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

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

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





BOARD MEMBERS & CEO OF HRI



BRIAN KAVANAGH

FRANCIS HYLAND

MICHAEL DOYLE

MICHAEL MURPHY

CAHIR O'SULLIVAN

DERMOT CANTILLON

DENIS BROSNAV

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Denis Brosnan	Chairman
Pierce Molony	Vice Chairman Racing Regulatory Body representative
Dermot Cantillon	Racehorse Breeders representative
Noel Cloake	Representative of persons employed in the horse racing industry
Michael Murphy	Racecourses representative
Michael Doyle	Racing Regulatory Body representative
Jessica Harrington	Racehorse Trainers representative
Francis Hyland	Authorised Bookmakers representative
Jim Nicholson	Representative of persons in the horse racing industry in Northern Ireland
Dan Kirwan	Representative of persons employed directly in the horse racing industry
John Moloney	Racing Regulatory Body representative
Cahir O'Sullivan	Racing Regulatory Body representative
John Power	Racehorse Owners representative
Nicholas Wachman	Racing Regulatory Body representative

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John Clarke	Joe Foley
Mick Halford	John Kidd
Jim Mernagh	Janet Williamson
Michael O'Rourke	Joe Osborne

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Brian Kavanagh	Dick O'Sullivan
Donal O'Mahony	Sue Phelan

CILCOONE LIMITED

Joe Walsh
Michael Lane

IRISH EQUINE CENTRE

Dermot Cantillon
Michael Sadlier

LIMERICK RACECOURSE

Jerry Desmond
Bob Lanigan

PUNCESTOWN RACECOURSE

Raymond Horan
Roy Craigie
Dick O'Sullivan
Niall Speirs



PIERCE MOLONY

JOHN MOLONEY

JOHN POWER

NICHOLAS WACHMAN

DAN KIRWAN

JESSICA HARRINGTON

NOEL CLOAKE

JIM NICHOLSON

RACE

Margaret Davin
Dan Kirwan
David Wright

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Pierce Molony

AUDIT COMMITTEE

Nicholas Wachman *Chairman*
Francis Hyland
Dan Kirwan
Liam Madden

BOOKMAKERS COMMITTEE

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Dan Kirwan
Michael Murphy
Raymond Horan

FOAL LEVY COMMITTEE

John Moloney *Chairman*
John Clarke
Brian Grassick
Joe Hernon
Edmund Loder
Joe Shorthall
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Pierce Moloney
John Power
Cahir O'Sullivan

FIXTURES COMMITTEE

Cahir O'Sullivan *Chairman*
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Michael Doyle
Jessica Harrington
Francis Hyland
John Moloney
John Power

MEDIA RIGHTS COMMITTEE

Michael Murphy *Chairman*
Pierce Molony
John Power

LEOPARDSTOWN COMMITTEE

Ged Piersé *Chairman*
Finbar Cahill
Eithne Fitzpatrick
Dan Kirwan
Gerry Magee
John Oxx
Tom Taaffe

NAVAN COMMITTEE

Finbar Cahill *Chairman*
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Liam Madden
Pat Martin
Donal Matthews
Vincent O'Reilly
Jimmy Owens

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Dermot Cantillon
Michael Murphy
Michael Doyle
Jessica Harrington
Francis Hyland
John Power

FAIRYHOUSE COMMITTEE

Roy Craigie *Chairman*
Michael Murphy
Michael Dowling
Jim Nicholson
John Fowler



CHAIRMAN'S REPORT



2006 was a year of great progress in many areas of Irish racing, with some of the biggest racecourse development projects in our history coming off the drawing-boards while at the racetracks at home and abroad we continued to endorse racing's claim to be Ireland's most successful international sport. Throughout the year HRI continued to work with Government on the future basis of the Horse and Greyhound Racing fund with particular reference to the declared intention of the Minister for Finance, Brian Cowan, T.D., to widen the tax base on which betting duty applies. It is our belief that horse racing can, and should be, fully funded from duty on off-course betting.

The Horse and Greyhound Racing Act 2001 provides security of funding for the industry which facilitates long-term planning for the first time in the history of the sport. The initial fund and its renewal in 2005 received all-party support and that level of support continues to be evident at local level where racecourses have become significant sporting and social amenities for their areas. There are 27 racecourses on the island of Ireland – a higher concentration per head of population than in any other country.

The winners of many of the top races in Britain and Ireland in 2006 came from training establishments in Cork, Dublin, Kildare, Kilkenny, Limerick, Meath, Tipperary and Waterford which, combined, represent over 460 trainers and 5,300 horses in those counties alone.

The security of funding facilitated by the Act allowed for the establishment of the Capital Development Fund for Irish racecourses which was launched in November 2004 by the Minister for Arts, Sport and Tourism, Mr John O'Donoghue, TD. That initial fund provided for grant aid through Horse Racing Ireland of €110 million with the balance from the racecourses making up a total fund of €200 million. Due to the level of demand from racecourses, who brought forward many new projects to satisfy racegoer's needs, the HRI Board subsequently increased the available grant aid to €140 million allowing for an overall fund of €255 million. It was particularly pleasing in 2006 to witness some major projects coming through the evaluation and planning process to enter the first stages of development. Minister O'Donoghue assisted with the sod turning of the Curragh, Dundalk, Galway and Killarney projects which were supported with grant aid of €35.6 million, €11.6 million, €10 million and €900k respectively.

In September work began on the first phase of the Curragh re-development - the re-alignment of the road at the back of the existing stand, which will re-shape the entire site giving the Curragh room to create a world class racecourse complex. The Curragh hosts

more Group races than Ascot, Newmarket or York and the proposal brought forward by the Curragh is designed to create a racecourse fit for the Home of the Classics in Ireland.

Galway racecourse is the leading racecourse in Ireland, consistently setting new records in attendance and betting at its world-famous summer festival each year. In September the sod was turned on the development of the new Killanin Stand at a total cost of €22 million. This will accommodate 7,000 people and provide seating for 700 racegoers on balcony level. It is particularly pleasing to note that most of the new development will be open to all racegoers at no additional cost and Galway have committed themselves to provide standards rivalling similar developments anywhere in the world. The development is on target for July 2007.

Dundalk made significant progress during the year and selected polytrack as the new surface for Ireland's first all-weather and floodlit racetrack, and will stage its first fixture on August 26th 2007. HRI has approved grant aid of €11.6 million towards the overall project cost of €24.6 million. Killarney unveiled its new facilities in July 2006 providing a new racegoers club bar, Stewards Rooms, weighroom, and corporate areas with viewing balconies and is in the process of completing a new entrance building which is due to open in mid 2007. Kilbeggan racecourse also received grant aid of €1 million towards its €2 million overall redevelopment including a new parade ring, saddling stalls and weighroom facilities.

In May Minister O'Donoghue launched the Navan Racecourse re-development which includes a members / owners and trainers / public bar facility, a new stable block, veterinary unit and stable staff catering facilities in addition to a new weighroom complex.

Phase I of Leopardstown's re-development has been completed, including stable yard, car parks and access roads off the M50 and golf course facilities. The design team has now completed work on the overall grandstand re-development.

HRI has prioritised capital grant aid for racecourses on the basis of their strategic importance to the industry. The projects which have been approved, or are in progress, meet that requirement on many fronts. Racegoers and professionals alike expect the best facilities possible and through the efforts of the racecourses and grant aid supplied through HRI's Capital Development Fund, the infrastructure of racing will be transformed beyond recognition over the next few years.

HRI is fully aware that improvements to racecourses

go well beyond bricks and mortar and it was fitting therefore that at the launch of the new Killarney facilities in July the Racegoers Consultative Forum published its report based on its investigations and consultations with HRI from 2003 to 2006. The Forum was established under the Horse and Greyhound Racing Act 2001 with a remit to consult with and report to Horse Racing Ireland regarding any aspect of the racegoer's experience. They have set many challenges to racecourses in the area of facilities, customer service, value for money and overall quality of the racing product. The Board of Horse Racing Ireland has welcomed the report and the executive team is working with racecourses and others in the industry to meet the challenges set out in its key recommendations.

In August an historic agreement was reached between HRI and Betfair in which the betting exchange agreed to pay a product contribution for Irish horseracing valued at upwards of €4.5 million for Irish racing over three years. The payments relate to all Betfair trade worldwide on the Irish racing product. At the same time a memorandum of understanding was agreed between the Racing Regulatory Body (Turf Club) and Betfair, granting access, when required, to a full audit trail of all transactions on Irish racing.

Despite the challenges posed by Equine Infectious Anaemia and some extreme weather conditions, racecourse attendances reached a new high of 1.45 million, leaving us on course to achieve the 1.5 million in attendances set out in the Strategic Plan (2003 – 2007) for the industry. The major racing festivals have contributed greatly to this growth and it was interesting to note the NUI Maynooth study published in March 2006 showing that the Punchestown Festival contributes €43 million to the local economy and attracts almost 20% of its visitors from overseas, mostly from among UK racegoers. Combined with the Galway study previously published, which shows that it contributes in excess of €60 million to the local economy, this demonstrates the significant potential that all our racecourses have to improve the social and economic life of their areas.

The flat racing season saw nine of the twelve domestic Group 1 races kept at home, while overseas we won seven English and four French Group 1 races including Aidan O'Brien's victories in the 2000 Guineas and the Oaks. The overseas racing highlight of the year however, was at Cheltenham where, remarkably, Irish

trained horses exceeded the 2005 total of nine victories with an historic ten including, once again, the Gold Cup, the Champion Hurdle and the Champion Chase and once again followed through in April with victory at the Aintree Grand National. This remarkable achievement was recognised by a Government reception at Farmleigh in June, hosted by An Taoiseach, Bertie Ahern and Minister for Arts, Sport and Tourism, John O'Donoghue, TD.

Throughout the racing world there is widespread recognition of the level of support for racing within Government and we have been fortunate to have, in Minister O'Donoghue, a knowledgeable and committed racegoer who has a thorough understanding of the developmental needs of the industry and its contribution in terms of employment and economic output. It is also widely remarked that Ireland is the third largest producer of thoroughbred foals in the world, sustaining a growing sector of agricultural output and a thriving export market.

The executive team at HRI led by Chief Executive, Brian Kavanagh continues to achieve excellent results across all functions as they work towards the development of the next Strategic Plan for the industry. The renewal of the Horse and Greyhound racing fund at the end of 2008 will provide the means to carry that plan to fruition. By the end of 2006 contractors were appointed to construct the new HRI headquarters at Ballymany on the Curragh which is due for completion by the end of 2007. This will provide a modern office facility for HRI and its subsidiary companies which will enable them to deliver exceptional service to all sectors of the industry.

I thank my colleagues on the Board of Horse Racing Ireland and those who served on subsidiary Boards and Committees for the time, dedication and expertise they have given to our endeavours. We welcomed three new Board members in 2006: Francis Hyland, Nicholas Wachman and Noel Cloake, replacing Seamus Mulvaney (Bookmakers), Frank Clarke (Turf Club) and Eddie Browne (persons employed in the industry) respectively, while Dermot Cantillon was appointed as breeders' representative for a second term.

It is an honour to serve as Chairman of such a dedicated Board and executive team and I am sure we will continue to produce substantial returns on the investment made by the Government on behalf of Irish society in the Irish thoroughbred industry.



CHIEF EXECUTIVE'S REPORT



“Triumph in the Face of Adversity” would be a suitable headline for the 2006 racing year. In terms of competition, Irish racing had to face down both the World Cup and the Ryder Cup and our traditional enemy, the weather, produced some very severe episodes, with fifteen meetings abandoned in Spring, near-hurricane conditions in September for the Listowel Festival and most of the Christmas meetings struggling against the elements. In June the Department of Agriculture and Food confirmed an outbreak of Equine Infectious Anaemia (EIA) in a small number of horses in the Meath and Kildare areas. For a while it was feared that this could have implications as serious as the Foot and Mouth outbreak but through the combined efforts of the racing industry, the Irish Equine Centre and the Central Veterinary Research Laboratory of the Department of Agriculture and Food a programme of extensive testing, certification and controlled movement of horses led to the successful containment of the outbreak, with the lifting of all EIA restrictions notified at time of writing.

Despite these challenges, 2006 exceeded the record performance of 2005 across a number of sectors. Attendances reached an all time high of 1.45 million, total on-course betting grew by 10.8% to €262.4 million and, underlining the dual nature of our business as both a sport and an industry, our successes on the racetrack continued to drive demand for Irish thoroughbreds at home and abroad, exemplified by the figures for bloodstock sales at public auction which grew by 31.5% to €191.5 million.

Our policy of continuing to provide attractive and competitive prize money continued, with growth of 7.6% producing an overall prize fund of €55 million. These prize money levels encourage owners and trainers to buy horses in Ireland and keep them in training here to compete both at home and abroad. This dynamic “front end” is what drives employment at all levels of the industry throughout the regions.

HRI continued its ongoing programme of improvement at Irish racecourses through the provision of capital grants, revenue grants, marketing supports, fixtures and programme allocation.

A high quality big screen was provided at over 200 racedays and the AA Quality Programme was formally implemented to independently assess all racecourse quality standards and customer services levels.

Many exciting racecourse development plans moved forward significantly in 2006. Galway began the replacement of the West Stand (to be known as the

Killanin Stand) which will be ready in time for the 2007 summer festival. The Curragh racecourse grand plan will incorporate a new grandstand, parade ring, weighroom and champagne bar, two hotels, in addition to the relocation of the road and upgraded stable yard facilities. Grant aid of €35.6 million was approved by the Board of Horse Racing Ireland with the first phase of the development due to be completed by Spring 2007. Leopardstown has also produced a redevelopment master plan including the demolition and rebuilding of the stand and complete refurbishment of the main grandstand, new entrance building, relocated weighroom, saddling boxes, crèche and parade ring.

Work began on Ireland’s first all-weather racecourse at Dundalk with significant extensions to the existing greyhound racecourse facilities and preparations for the installation of the newly approved polytrack surface. Additional schemes were approved and works commenced at Naas, Navan, Ballinrobe, Killarney and Kilbeggan. These racecourse developments will transform the face of Irish racing for public and professionals alike. They have been made possible through the security of funding provided by the Horse and Greyhound Racing Act which has allowed us, together with the racecourses, to engage in proper long-term planning.

2006 was also a time to celebrate the heroes of Irish racing who provide us with so much entertainment and to confirm the claim made during the year by leading sports commentator Eamon Dunphy that “Ireland is to racing as Brazil is to soccer”. In June an Taoiseach Bertie Ahern and Minister John O’Donoghue welcomed the connections of our Cheltenham and Aintree winners to a formal reception at Farmleigh: War Of Attrition – the Gold Cup, Newmill – Champion Chase, Brave Inca – Champion Hurdle and Numbersixvalverde – the Aintree Grand National.

We also enjoyed a unique opportunity to celebrate the history of Irish racing and the principal stars from the 20th Century in a special “Celebration of Irish Racing” held on Ryder Cup Raceday at the Curragh in September. The stars of the flat and national hunt fraternity were welcomed by a special pageant and commemorative presentations were made by Minister O’Donoghue and HRI Chairman, Denis Brosnan. The guests were a Who’s Who of Irish racing in the last century, led by Vincent O’Brien. In addition Dermot Weld, Michael Kinane, Aidan O’Brien, John Magnier, Jim Bolger, John Oxx, the Prendergast family, Christy Roche and the McGrath family were honoured for their contributions to flat racing. In the National Hunt celebration the Carberry, Dreaper, O’Grady,

Moore and Taaffe families, Dessie Hughes, JP McManus, Charlie Swan and Martin Moloney were similarly recognised.

In December Horse Racing Ireland hosted the fourth annual Irish Horseracing Awards. The awards were presented by Minister O'Donoghue who said "The training, breeding, education and hard graft have delivered results and thousands of racegoers all over the country have enjoyed the excitement of this great sport".

The award winners were as follows:

2006 NATIONAL HUNT AWARD –
Ruby Walsh (for the third consecutive time)
2006 FLAT AWARD –
Declan McDonogh

2006 POINT-TO-POINT AWARD –

JT McNamara

2006 OUTSTANDING ACHIEVEMENT AWARD –

Niall 'Slippers' Madden

2006 CONTRIBUTION TO THE INDUSTRY AWARD –

Kevin Prendergast

2006 HORSE OF THE YEAR –

War of Attrition

It is very heartening to see standards in Irish racing raised yet again and we are greatly indebted to the skill and dedication of the participants who continue to compete and achieve unprecedented success at the highest levels, ensuring the continued dynamism of a regionally dispersed, environmentally friendly industry which sustains an indigenous skills base which is the envy of every other racing nation.



FINANCE REVIEW

The financial results continue to be satisfactory for 2006 and give HRI a strong financial base for its

continuing Capital Development Programme with Racecourses.

GROUP INCOME AND EXPENDITURE ACCOUNT

Turnover for the year was up 10% or €6.2m to €65.7m compared to €59.5m in 2005. The turnover increase is primarily due to an increase in Racecourse income since Fairyhouse Racecourse is now included in the group. Income from bookmakers betting plus income from Betfair reflected an increase of €2.249m under Betting and Exchange Income. The income from On-Course Bookmakers' betting and Pitch charges is paid back to the relevant racecourses. This amounted to €1.8m in 2006.

The number of fixtures increased to 319 from 313 on the previous year i.e. an increase of six. 22 of these fixtures were run in Northern Ireland, the same number as 2005. The number of Races run in 2006 was 2268, up from 2241 in 2005. Even though the fixtures were up, some of these were not full cards due to cancellations because of the weather. Complete statistics for Irish Racing are available in the Horse Racing Ireland Fact Book 2006 and on the web site www.hri.ie.

OTHER INCOME

Other income has increased by €5.9m or 7% to €88.5m. The increase in the Horse and Greyhound Racing Fund was €1.4m or 2.5%. Foal Levy contributions were up €142k due to an increase in foals registered of 2% (12,004 in 2006 compared to 11,748 in 2005). Registration Income was up by

€237k with new income of €490k to fund industry services within Racecourses. This was primarily to cover improved services for Jockey Ambulances and Horse Ambulances which had previously been partially funded by the Racecourses.

PRIZE MONEY

The total prize money of €56.107m was up from €52.247m, i.e. €3.86m or 7%. The contribution from owners was up by €2.456m from prior year due mainly to the Goffs Races in September. Sponsorship increased by €712k while HRI's

contribution also increased by €711k to €30,620 in 2006. Point to Point prize money was €1.046m against €1.065m in 2005. There were 102 Point to Point fixtures in 2006 against 107 fixtures in the previous year.

EXPENDITURE

Other group expenditure at €31.7m was up by €4.8m, or 18%, from the 2005 figure of €26.9m. The main increase reflects an additional €3.3m paid in Capital Grants to third party Racecourses. The amount paid in Capital Development Grants to third party Racecourses in 2006 was €4.830m against €1.522m in 2005. Additional costs for Integrity and Racecourse Services were €1.4m. The increased number of fixtures has partially accounted for this cost increase as well as the upgraded cost of on-course integrity pictures with the full year effect in 2006.

Payments made to Racecourses for various programmes fell by €0.9m to €3.207m. This was due to the reduction in grants paid under the Health and Safety scheme which is now coming to a conclusion. This was a 5 year scheme and will

have allowed Racecourses to improve their Health & Safety Standard by a total of €8m. This scheme is scheduled to end in 2007.

The high level of investment on some of the Capital Developments with Racecourses has required significant planning and approval processes so the drawdown on Capital Grants was slower than envisaged in 2006 but will be significantly increased in 2007.

Payments made to Industry Bodies increased by €545k over the 2005 amount, which is primarily due to the new scheme of Industry Service Grants which cost €490k. Total paid for Jockey Ambulances amounted to €291k which is an increase of €194k over 2005 paid through HRI. Payments made to Horse Ambulances also



increased year on year to an amount of €131k. Grants given to RACE, which is the training body for industry employees, amounted to €465k. The Irish Equine Centre received €676k with additional funding paid under the Foal Levy Scheme of €800k.

Payments made under the Foal Levy Scheme in 2006 amounted to €1.486m. The main third party beneficiaries in 2006 were the Irish Equine Centre, €800k, Irish Thoroughbred Breeders Association €375k and Breeders Prizes €240k. ITM also receives a contribution from this scheme but this is consolidated

out in the Group Accounts. This also amounts to €375k.

Administration costs have reduced by 3% or €174k.

General Marketing and Promotional costs were down by €137k in the year due primarily to lower activity on TV coverage through the Go Racing Series which was not repeated in 2006. Some of this cost reduction was utilised in the commencement of a quality programme scheme in conjunction with Racecourses and extra activity around the promotion of racing during Ryder Cup week.

ITM

Irish Thoroughbred Marking, which is funded through a combination of contributions from the industry and HRI, increased its promotional activity by an amount of €157k from 2005. This cost

covered development of a new logo and rebranding of ITM as well as increased cost on the inward buyer programme due to a significant increase in inward buyers to 1049 in 2006.

SURPLUS

The Group surplus of €5.127m for the period reflects the combined results of the Racecourses, HRI and the TOTE. This surplus is required to repay current loans and also to provide for the anticipated

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

GROUP CASH FLOW

Group cash flow from operations amounted to €6.3m. The net cash inflow from investments and servicing of funding contributed €1.1m giving a total cash inflow of €7.4m. This cash was used to pay for fixed assets which primarily reflected the cost of the Navan Racecourse (Weighroom and Stable Yard Development) and the completion of the Leopardstown Club House and Stable Yard. The commencement of the Development of the

Head Office Building for HRI as well as some Tote technical upgrades are included in this Capital figure. The cash movement also reflects the repayment of a loan for Fairyhouse Racecourse as well as a payment in the form of a bridging facility to Punchestown Racecourse of €2.5m. Group Bank loan repayments amounted to €3.619m in the year. The decrease in cash in the year was funded through the opening cash surplus.

ACQUISITION

On 1 January 2006 HRI exercised an option in its loan agreement with Fairyhouse Club Limited and converted the loan into a controlling share holding. As a result of this the Fairyhouse Group of companies became subsidiaries of HRI. Following an external valuation of the assets acquired, a negative goodwill figure has arisen which

represents the amount by which the Fair value of the assets and liabilities acquired exceed the purchase consideration. This negative goodwill is being amortised to the Income and Expenditure account in the periods in which the non-monetary assets are realised. The value of negative goodwill at the end of the period was €11.9m.



MARKETING REVIEW

HRI's Marketing Plan for 2006 continued with the "Let Yourself Go!" campaign spear-headed by the Hector O'hEochagain series of television and radio ads. The Hector campaign serves one of our main marketing objectives which is to recruit new and younger racegoers by radically changing perceptions of the raceday experience for the target audience. In addition to advertising support for specific meetings the campaign was also used to "track" the GAA coverage on RTE throughout the summer and a template radio ad was created for racecourses throughout the country to use with their local stations. The radio campaign introduced regional campaigns for the North West, South East and Tipperary Racecourses and in March 2006 the 'Go Racing South East' initiative was launched uniting Tramore, Wexford and Gowran Park Racecourses in joint marketing activity and the development of tourism in the region. Hector also made a number of personal appearances at racecourses and the national Ploughing Championships in the 'Big Bash' series of racing showcases.

The effectiveness of the campaign is measured by our ability to grow attendances, to increase the number of young people racing and the adoption of the campaign by individual racecourses. All three were achieved, with attendances reaching an all-time record of 1.45million; the number of under 35's attending racemeetings reached 51% compared to a national profile for under 35's of 41% (reference: Behaviour & Attitudes Research, October 2006); while the TV campaign was used in support of five racecourses and nineteen of the twenty five racecourses used the radio campaign in some format.

Great emphasis was placed on market segmentation. Racegoers were placed into five key categories – tourist, corporate, punters, horse lovers and socialisers - each with different wants and needs in respect of the raceday experience and each needing to be addressed with suitable marketing communications. Socialisers make up the single largest component of racegoers at over 40% of the market. They are more likely to be new racegoers, young and socialising in groups and are therefore critical to the future development of the sport. They are uniquely quality sensitive and with this in mind, HRI continued its quality development programme by appointing the AA as the official body to measure quality standards on Irish racecourses. Following assessment and testing work throughout the summer the full programme was rolled out in November 2006 and will continue until Autumn 2007.

The emphasis on customer service and quality issues was given further impetus with the publication of the report of the Racegoers Consultative Forum in July.

The key areas dealt with in the Forum report were admissions and attendances, facilities at racecourses, catering, quality of racing and racecards, media coverage of Irish racing and betting. The report set out a series of challenges to Irish racecourses to establish minimum standards of facilities for all racegoers.

2006 also saw the launch of a series of marketing seminars for racecourses, communicating our overall marketing strategy and developing local campaigns in harmony with HRI's plan. The seminars seek to raise marketing skills among racecourses and to share marketing research data and common experiences, particularly the area of press relations and customer service.

The increase in the number of "social" racegoers and the success of festival and evening summer meetings has been reflected in growing coverage of racing in mainstream media. Horse racing stories and social events connected with racing received widespread coverage in TV, radio, newspaper and magazines throughout the year. In 2006, in a concerted drive to increase interest in racing fashion days, Caroline Morahan was signed up as HRI's first Fashion Ambassador for the Summer Racing Season.

HRI Marketing was awarded the 'Best Domestic Marketing Campaign' at the 10th Annual HSMAI Sales & Marketing Awards in October and was 'Highly Commended' in the Chartered Institute of Marketing (Ireland) Awards for Marketing Communications.

Tourism remains a key target area for Irish racing and HRI continued its extensive promotions in the UK and worked closely with Fáilte Ireland and Genesis Consulting to develop the concept of 'Ireland, Land of the Horse' and lobbied for its development as a sub brand within the overall Brand Ireland initiatives of Fáilte Ireland and Tourism Ireland.

The importance of the racing industry to the social and economic fabric of Ireland was emphasised in a series of press ads covering the key statistics of the industry and emphasising the world leadership role of Irish racing. This was noted at a reception in Farmleigh to welcome Ireland's winning Cheltenham connections by An Táoiseach, Bertie Ahern when he stated that "We are now enjoying a golden age of Irish racing".

HRI hosted two other major events to recognise the stars of the sport – the 'Celebration of Irish Racing' on Ryder Cup Raceday at the Curragh in September and the fourth annual Irish Racing Awards in Dublin's Westin Hotel in December. The HRI website was re-designed and significantly upgraded by year's end. It was re-named 'goracing.ie' and was ready for public launch in early 2007.

TOTE REVIEW 2006

Tote Ireland faced a challenging year of transition in 2006, yet managed to register growth of 0.8% on 2005 from €49.3m to €49.7m.

Betting generated through cash and credit channels into Irish Pools proved most demanding with turnover at €41.3 million down €2.5 million on the 2005 level. The changing nature of the on-course bookmaking market, the distractions provided by the Soccer World Cup in 2006, as well as a significant number of cancelled fixtures relative to 2005, all contributed to the decline in Tote turnover.

Betting between Irish and foreign Totes was greatly improved with two significant agreements signed with At the Races and the PMU (the Tote operator in France). Through the deal with At The Races, Tote outlets in other countries were offered the opportunity to bet into Tote Ireland pools. Initially the pools were offered in Holland and Germany and it is confidently expected that a number of other countries will be added in the coming months. The agreement with the PMU commenced on Derby Day and ran through to most of Ireland's top Group 1 races. Among the races bet into were the Derby, Oaks and Champion Stakes. It is hoped in the coming years that this initiative will be extended to all the major races in Ireland. These deals, as well as a generally buoyant business from and into the UK pools, helped to increase turnover between Irish and foreign Totes to €8.4 million, an improvement

of €2.9 million over the 2005 level.

2006 saw the full rollout of the Tote Internet product, with all Irish and UK pools available online at www.tote.ie. Its performance for the first full year of operations was impressive accounting for 16% of betting turnover from Tote Account holders.

The Payments to Racecourses scheme saw the Tote return €0.6m to racecourses. This scheme underlines the importance of continued co-operation between Tote Ireland and the racecourses for the mutual benefit of Irish Racing.

Gross profit for the year increased marginally to €9.61m from €9.56m. Costs increased by €0.8m primarily arising from additional depreciation, staffing and other additional operating costs relating to the Internet business as well as a significant increase in the marketing budget including an additional €0.1m invested in race sponsorship. Inflationary pressures also contributed to the increase in the cost base.

Profit before distributions and payments to Racecourses came in at €0.8m as against €1.6 million in 2005. This drop in profits reflects both the increasingly competitive operating environment of the Tote as well as a number of one-off increases in the cost base which should be compensated for by revenue growth in 2007 and beyond.



HRI RACECOURSE DIVISION

2006 was the first year of operation for the new structure of the HRI Racecourse Division. The division is split between Racing and Property / Golf, allowing a clear focus on the needs of these different businesses and ensuring they are both a success. There are now four racecourses being run by the division:

- Leopardstown
- Fairyhouse
- Navan
- Tipperary

Two successful golf operations are also running at Leopardstown and Navan, both of which have excellent new facilities after recent developments. The division provides centralised services such as Finance, HR and IT and is led by an experienced executive team.

FAIRYHOUSE

Fairyhouse raced 20 times in 2006. This was the first year that Fairyhouse was under the umbrella of the HRI Racecourse Division. Overall attendances for the year were 74,068, a 6% increase on last year.

Tote betting amounted to €2,601,968 while bookmaker turnover at €14,594,882 increased by 11%.

The 3 Day Fairyhouse Easter Festival was the highlight of the year with 32,629 people attending, up 7% on the previous year. Point Barrow won the Powers Whiskey Irish Grand National on Easter Monday and Justified won

The goals of the division are:

- Improved Customer Service
- Increased Attendances
- Increased Sponsorship
- Improved Fixture List and Programmes
- Operational efficiency
- Generating Significant Non-Race Day Business
- Developing Property Assets
- Independently viable and profitable racecourses

The new structure has bedded-in well during 2006 and we are now seeing the results with profitability improvements in Leopardstown and Fairyhouse. The division hosted 71 race meetings last year with a total attendance of over 330k. Betting across the four tracks was €66.2M for bookmakers and tote.

the Powers Gold Cup on Easter Sunday. Wishwillow Lord won the Menolly Homes Handicap Hurdle on the Tuesday of the festival.

The new inside track has been of huge benefit to Fairyhouse and to the industry. It will enable Fairyhouse to take more racing and take pressure off the main track enabling ideal conditions for the big Easter and Winter Festivals. The financial position of Fairyhouse has been much improved in 2006 and it is now on a sound footing to enable it to have a successful 2007.



LEOPARDSTOWN

Leopardstown raced 22 times in 2006. Overall attendances for the year were 180,963 while attendances for the evening meetings at 40,883 continue to grow and provide a good opportunity to attract new people to racing.

Tote betting amounted to €6,761,124, an increase of 1% on 2005, while bookmaker turnover at €26,305,874 increased by 13%

Leopardstown had organizational changes during the year and Tom Burke was appointed Racecourse Manager, leading a new team.

Leopardstown Golf Centre unveiled its new facilities in early 2006, consisting of a two-tier 72 bay driving range facility, golf academy, two retail units and restaurant. To date the facilities have been very well received and the future outlook for the business is very positive.

The Luas continues to be a great asset to Leopardstown and the Extension from Sandyford to Cherrywood, to be completed by 2010, will further enhance access to the racecourse for our patrons.

The highlight of the National Hunt programme, Hennessy Gold Cup Day, was marked by wins for Beef or Salmon in The Hennessy Cognac Gold Cup, The Railway Man in the Dr. P.J. Moriarty Chase and Mr Nosie in the Deloitte Novice Hurdle.

The eagerly awaited Derrinstown Derby Trial on the second Sunday of May, with its reputation for supplying Derby winners, did not disappoint, with Dylan Thomas securing victory before going on to win the Budweiser Irish Derby.

The Summer Season of Miller Evening Meetings, comprising 5 Wednesdays and 2 Saturdays got underway on Wednesday 31st May with success for Media Puzzle in the Séamus McGrath Memorial Saval Beg Stakes.

With excellent weather conditions, apart from the first Saturday, there was a tremendous atmosphere at the evening meetings where much of the focus is on the social aspect of racing. The introduction of an Italian themed evening on the 21st June proved very popular.

The most prestigious Flat Race in Ireland - The Baileys Irish Champion Stakes, in September, again generated huge media coverage. Dylan Thomas and Ouija Board served up one of the battles of the year, with Dylan Thomas securing victory by a neck. In the other Group 1 Race, the Coolmore Matron Stakes, English runners filled the first four places, with Red Evie the winner.

The eagerly awaited Christmas National Hunt Festival brought the year to close with four days of top class racing. On day one, Schindlers Hunt took the Durkan New Homes Novice Chase, while November Handicap winner Lounaos captured the Durkan Juvenile Hurdle. Day two saw Cane Brake win the Paddy Power chase and Nickname run out an easy winner of the Paddy Power Dial-A-Bet Chase. Day three featured the Lexus Chase and a splendid jumping performance by English challenger, The Listener when winning from Beef or Salmon and War of Attrition. The fourth and final day saw Brave Inca return as both Irish and English Champion Hurdler to capture the bewleyshotels.com December Festival Hurdle.



NAVAN

Navan raced 17 times in 2006. Overall attendances for the year were 48,869, a 6% increase on the previous year.

Tote betting amounted to €1,232,321 while bookmaker turnover at €9,967,401 increased by 17% on an average per-fixture basis.

Sponsorship at Navan continued to grow. As before, a number of very successful themed racedays were introduced and they proved very popular. Race Memberships also continued to grow.

The Boyne Hurdle raceday in February with three Cheltenham trial type races was very successful. The €50,000 (Grade 3) McCabe Builders Boyne Hurdle was won by 'Golden Cross' trained by M Halford. 'Mansony' won the Ladbroke 'Flying Bolt' €50,000 Novice Chase for trainer Arthur Moore and 'Church Island' won the Ladbrokes 'Ten Up' Novice Chase (Grade 2) for M Hourigan.

Interestingly five of the ten Irish winners at the 2006 Cheltenham Festival had previously won at Navan, namely: War of Attrition, Nicanor, Dun Doire, Newmill, and Brave Inca.

The winter highlights included the Navan Race Supporters Fortria raceday when 'Nickname' took the feature race for trainer Martin Brasil, while 'Clopf' won

the Bar One racing 'For Auction' Novice Hurdle for Edward O'Grady. The Philips Electronics €50,000 (Grade 2) 'Lismullen Hurdle' went to Rosaker trained by Noel Meade.

The flagship William Hill in Ireland Troystown €100,000 B Chase proved to be a brilliant win for 'Cane Break' and trainer T J Taaffe. M Kellehers 'Footy Facts' won the Bank of Ireland 'Monksfield' (Grade 3) Novice Hurdle.

In December, the Barry & Sandra Kelly €100,000 (Grade 1) Novice Hurdle went to the Noel Meade trained 'Aran Concerto'.

It was also an exciting year for Navan with the commencement of the new development consisting of a weighroom complex together with associated medical rooms, press room and a new Owners/ Members /Trainers Bar. The development included 140 new stables with veterinary facilities, wash bays and grooms canteen, enhanced nicely with a smart new roadside fence.

The Golf Course continues to be promoted in a very competitive market, with income from green fees and societies being actively promoted together with the sales of new golf memberships. A new administration building, pro shop and locker rooms was also built during 2006.

TIPPERARY

2006 was another successful year for Tipperary racecourse with over 26,000 people enjoying the entertainment at the track at the twelve racemeetings. The SP betting shop saw an increase in turnover of 18% while the on-course bookmakers saw an increase of 4% on their 2005 figures.

The spring of 2006 saw the completion of the latest phase of the drainage programme at the course. This involved a new fibre sand road crossing and a drainage scheme from the last fence to the road crossing after the stands. On the racing front Scarthy Lad was a popular winner of the Grade 2 Tipperary hurdle on Super Sunday, while English visitors captured three pattern races on the card. John Oxx took the Group 3 Coolmore Stud Concorde Stakes with Noelani, while the Oxx stable also took the listed Danehill Dancer Tipperary Stakes with Flash McGahon for the Dundalk Racing Club. The 2-y-o maiden on 6th June was one of the best maiden

races of the season with Ger Lyon's City of Tribes beating subsequent Group 3 winner Rabatash with the Moyglare Stakes and Shelbourne Hotel Million heroine Miss Beatrix in third.

Dylan Thomas became the latest Derby winner and subsequent champion to have made his winning debut at Tipperary Racecourse.

Schooling has continued to develop at Tipperary and in 2006 more than 1,200 horses ran at Tipperary on non-racedays as part of their further education. It has proved very popular with the trainers in the locality and beyond.

The Tipperary Racecourse Supporter's Club continues to develop and in 2006 they purchased a new flat screen television for the Supporter's Club room. They are also continuing to play a pivotal role in local development of Tipperary Racecourse.



IRISH THOROUGHBRED MARKETING REVIEW

With the UK accounting for the major portion of our exports, Irish Thoroughbred Marketing once again stepped up its activity in that market sponsoring a total of five races at four tracks covering both National Hunt and Flat meetings. Furthermore the team at Irish Thoroughbred Marketing were present at all major sales and a substantial number of race meetings in the UK.

Goresbridge Bloodstock Sales, based in County Kilkenny expanded its thoroughbred activity in 2006 to include Ireland's only 2 year old breeze up sale in recent history. Attracting 72 lots the sale succeeded in attracting foreign purchasers, with in excess of 70% of those sold exported to Italy, the UK and Greece. A number of graduates from this sale went on to success within a relatively short time after the sale which augurs well for the corresponding sale in 2007.

The inaugural running of the Goffs Shelbourne Million race was also held in 2006 as part of the Ryder Cup raceday at the Curragh in September. This race created an excellent platform for the 2006 Goffs Million sale and indeed all Irish sales held in 2006. Goffs Bloodstock Sales turnover rose by a massive 24% while Tattersalls Ireland enjoyed a very impressive 25% rise in turnover.

Overseas activity undertaken by various members of the Team at Irish Thoroughbred Marketing commenced in January with a visit to India to accompany an Taoiseach, Bertie Ahern T.D. This three-city visit provided Irish Thoroughbred Marketing with an opportunity to introduce existing and new Indian owners to the Government delegation, which endorsed our activity in the area. The results were realised in November at the Goffs Breeding stock sale with the number of mares being purchased by Indian clients rising significantly. Greece was another market in which Irish Thoroughbred Marketing was active in the early part of 2006. This resulted in a number of Greek clients purchasing at the Goresbridge Breeze Up sale in May and again at the yearling and breeding stock sale later in the year. Along with our race sponsorship in the UK, Irish Thoroughbred Marketing is also involved with race sponsorship in other countries around the globe. These races are predominantly exchange races with other racing authorities such as

the Korea Racing Association and The Turkish Jockey Club. Other sponsorships are as a result of either an Irish Presidential visit, ie Japan and Korea or a Government trade visit led by An Taoiseach, such as Hong Kong and India. Two of these races took place in March 2006, the first in Seoul followed a few days later in Hong Kong. Both events were attended by Irish Thoroughbred Marketing and the Irish Ambassador in the country.

Irish Thoroughbred Marketing accompanied the Minister for Agriculture & Food, Mrs. Mary Coughlan T.D. to the USA on an agricultural trade mission culminating in a visit to the Kentucky Derby. At the Derby Minister Coughlan suggested to the Governor of Kentucky that he might attend the Ryder Cup Raceday later in the year and Irish Thoroughbred Marketing was delighted to host the Governor's party at the Curragh in September. Irish Thoroughbred Marketing also sponsored at the National Hunt festival in Radnor, Maryland in advance of the June NH sales in Tattersalls, Ireland and Goffs.

Other trips covered European countries such as Spain, Italy and France, while all major sales in Europe and the US were also attended by Irish Thoroughbred Marketing.

On the track it was yet another great year for the Irish bred horse with their successes littering the globe. The future also looks promising with Irish bred juveniles winning a total of 9 individual Group 1 2yo races in Europe. Among these winners are the Jim Bolger trained pair Teofilo and Finsceal Beo, respective European Champion 2yo Colt and Filly. Undoubtedly they will be aspiring to the heights reached by the Irish-bred Dylan Thomas, Alexandrova and George Washington during 2006. National Hunt racing was once again dominated by the Irish-bred horse. Cheltenham is the ultimate testing place of a horse's Championship status and Irish-bred horses War of Attrition, Brave Inca and Newmill dominated the Gold Cup, Champion Hurdle and Champion Chase respectively, thus proving there is only one place to go when searching for future champions – Ireland.



2006 RACING HIGHLIGHTS

In early January, the Jessica Harrington stable struck in the valuable Piere Hurdle at Leopardstown with Studmaster and two weeks later at the same course, Colm Murphy's Brave Inca gained revenge on old rival, Macs Joy, in the AIG Europe Champion Hurdle under Tony McCoy. In mid-February, Michael Hourigan's Beef Or Salmon showed his liking for the Foxrock course when gaining a second victory in the Hennessy Cognac Gold Cup in the hands of Paul Carberry.

In Cheltenham, for the second consecutive year, Irish trained horses claimed the 'Triple Crown' which refers to the coveted Champion Hurdle, Queen Mother Champion Chase and Gold Cup and for good measure, we had three new champions as Brave Inca relieved Hardy Eustace of his Champion Hurdle crown, Newmill dethroned the brilliant Moscow Flyer in the Queen Mother Champion Chase and War Of Attrition took the Totesport Gold Cup in the absence of the injured Kicking King. Indeed, War Of Attrition led home an unprecedented 1-2-3 for the Irish in the Gold Cup as he defeated Hedgehunter and Forget The Past while Irish trained hurdlers filled the first four places in the Smurfit Kappa Champion Hurdle with Brave Inca winning from Macs Joy, Hardy Eustace and Al Eile. In total, Irish-bred horses won twenty out of the twenty four races at the 2006 Cheltenham Festival, a truly remarkable statistic.

Three weeks later, there was further big race success with the Aintree Meeting producing four Irish trained winners at this three day meeting. Undoubtedly, the highlight was the magnificent victory of Martin Brassil's Numbersixvalverde in the John Smith's Grand National with Hedgehunter in second place and Nil Desperadam in fourth spot almost delivering another Irish clean sweep. This memorable win was the fifth time in the last eight years that an Irish trained horse had triumphed in the most famous jump race in the world, having gone 24 years without raising the flag since l'Escargot scored in 1975.

At Fairyhouse on Easter Monday, trainer Pat Hughes sent out 20/1 chance, Point Barrow, to land the Powers Whiskey Irish Grand National. At the same meeting, Eamon Sheehy's Justified benefited from a typically strong drive from Tony McCoy to claim the Powers Gold Cup. In late April, the Punchestown Festival was an unqualified success with over 85,000 racegoers flocking to the County Kildare track and it was great to see Cheltenham form upheld with big race victories for Newmill, War Of Attrition and Asian Maze while Jessica Harrington's Macs Joy gained a deserved win in the ACCBank Champion Hurdle over old rival, Brave Inca. On the flat the long time Guineas favourite, George Washington, lived up to all the pre-race hype with a superb victory in the English 2000 Guineas in early May. Alexandrova notched up an easy success in the Vodafone Oaks at Epsom the following

month and there was further success for the Aidan O'Brien-Kieren Fallon combination at Royal Ascot when Yeats landed the Ascot Gold Cup and Ad Valorem took the Queen Anne Stakes.

At home, George Washington narrowly failed to complete the English-Irish 2000 Guineas double at the Curragh in late May but the following afternoon saw trainer Dermot Weld saddle Nighttime to easily take the Irish 1000 Guineas in the colours of his mother, Marguerite, who also bred the filly. A vintage performance from Dylan Thomas in the Budweiser Irish Derby ensured this very valuable and prestigious race stayed at home for the sixth time in the last seven years.

July saw the first ever listed race staged at Roscommon Racecourse, and a fine front running victory for the Dermot Weld trained Royal Intrigue. Twenty four hours later trainer Aidan O'Brien recorded his first success in the Darley Irish Oaks as Alexandrova strolled to another impressive victory under Kieren Fallon thus becoming the 11th filly to complete the English-Irish Oaks double. Teofilo in the Tyros Stakes, Heliostatic in the Meld Stakes and Guadeamus in the Debutante Stakes. The last Saturday in July was a memorable one for trainer Jim Bolger and Kevin Manning as they combined to complete a tremendous treble at Leopardstown. In England earlier that afternoon, Hurricane Run emulated his sire Montjeu in winning the King George VI and Queen Elizabeth Diamond Stakes at Ascot under Christophe Soumillon.

The seven-day Galway Summer Festival proved to be a resounding success once again with record attendances and betting levels during the week. Dermot Weld landed a quick fire treble in the first three races on the opening night and Mick Halford's Quinmaster won the Tote Galway Mile E.B.F. Handicap on the Tuesday evening. The biggest race of the week was the William Hill Galway Plate which yielded a very popular success for jockey Roger Loughran who guided Far From Trouble to a memorable triumph denying Dermot Weld's Ansar a historic third consecutive success.

At Goodwood Yeats followed up his impressive victory in the Ascot Gold Cup with an even more impressive display to take the Goodwood Cup in great style while the Nassau Stakes witnessed an agonising defeat for Alexander Goldrun as she was just touched off by Ouija Board in a tremendously exciting finish.

For the eighth time in the last nine years, Aidan O'Brien won the Independent Waterford Wedgwood Phoenix Stakes at the Curragh when Holy Roman Emperor comfortably defeated Coventry Stakes winner, Hellvelyn. The big York meeting was a mixed one for the Irish as Dylan Thomas was a disappointing fourth under Michael Kinane in the Juddmonte International Stakes

while Alexandrova once again showed her class with a decisive victory in the Yorkshire Oaks, her third Group One victory of the season and the first in this particular event for her handler, Aidan O'Brien.

On August 26th at the Curragh, Jim Bolger's very promising Teofilo graduated to Group Two company when winning the Futurity Stakes. Moyglare Stakes Day twenty four hours later was a red letter one for owner Bill Durkan as his homebred, Miss Beatrix, arrived late and fast to snatch this Group One prize under Willie Supple.

The re-match between Ouija Board and Alexander Goldrun, who had fought out such an exciting finish to the Nassau Stakes at Goodwood in early August, took place in the €1m Baileys Irish Champion Stakes at Leopardstown in early September. However, both were eclipsed by Aidan O'Brien's Dylan Thomas who just got the better of Ouija Board by a head. The following weekend at the Curragh Yeats was unable to follow up his victories in the Goodwood Cup and Ascot Gold Cup as victory in the Irish Field St Leger went to John Oxx's Kastoria who prevailed by half a length. Twenty four hours later, the eagerly awaited clash between O'Brien's Holy Roman Emperor and Jim Bolger's Teofilo in the Laing O'Rourke National Stakes resulted in a fine success for Teofilo.

The inaugural running of the Shelbourne Hotel Goffs Million at the Curragh provided a very popular result with victory for the Kevin Prendergast trained Moyglare winner Miss Beatrix, ridden by Declan McDonogh.

The seven day Listowel Festival was dogged by poor weather during the week but managed to again prove successful and jockey Ruby Walsh was celebrating once more after Bothar Na gave him a third consecutive victory in the Guinness Kerry National. Aidan O'Brien's George Washington bounced back to winning ways with a convincing victory in the Queen Elizabeth II Stakes at Ascot, the second part of a big race double for the stable which had earlier captured the Royal Lodge Stakes with Admiral of the Fleet, both horses ridden by Michael Kinane. At Longchamp there was a big race double for Irish trained horses when Jim Bolger's Finsceal Beo sprang a surprise in the Prix Marcel Boussac just half an hour before Aidan O'Brien's Holy Roman Emperor took the Prix Jean-Luc Lagardere Grand Criterium, both Group One races.

At Newmarket, Jim Bolger's Teofilo and Aidan O'Brien's Holy Roman Emperor locked horns once again in the Dewhurst Stakes and in a desperate finish, Teofilo battled back strongly to just prevail in a real thriller with Kevin Prendergast's promising Haatef only just failing to make it an Irish 1-2-3 in fourth place. Bolger and Manning completed a magnificent double later on when Finsceal Beo showed her French victory to be no

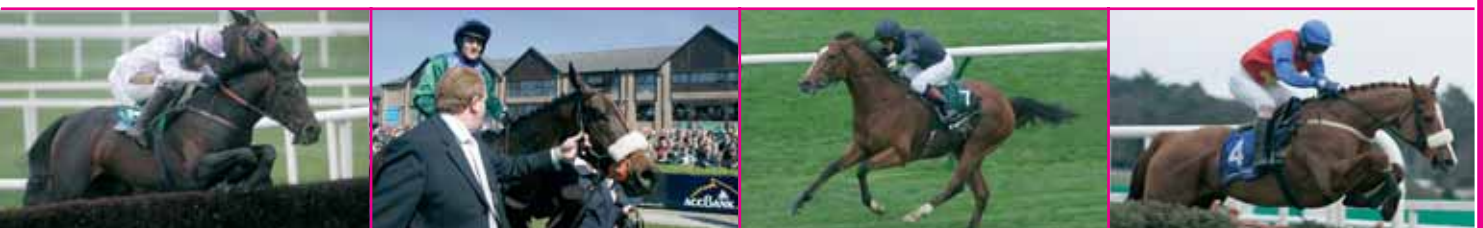
fluke with a convincing success in the Rockfel Stakes and was promoted to ante-post favouritism for the English 1000 Guineas over the same course next May.

October ended with another Group One victory for the Aidan O'Brien stable as Mount Nelson took the Criterium International at Saint-Cloud under Seamie Heffernan. The big two day meeting at Down Royal in the first week produced some top class racing with Michael Hourigan's Beef Or Salmon the hero of the hour as he proved a neck too good for War Of Attrition in the James Nicholson Champion Chase.

The 2006 Flat Season came to an end on the first Sunday in November with Eoin Griffin's Lounaas proving best in the Leopardstown November Handicap under Pat Smullen while there were also wins for Jim Bolger's Modeeroch and Aidan O'Brien's Anton Chekhov in the two listed events. Declan McDonogh drew a blank but was crowned Champion Flat Jockey with 89 winners for the first time while Dermot Weld was leading trainer in terms of winners trained for the 21st time in his career. Aidan O'Brien was Champion Trainer once again while Chris Hayes was the Champion Apprentice for the second consecutive year.

At Navan the following week Martin Brassill's Nickname got his season off to a good start in the Fortria Chase by defeating last year's winner, Central House, under Niall 'Slippers' Madden. At Punchestown in mid-November, the return of Champion Hurdle hero Brave Inca in the Maplewood Developments Morgiana Hurdle was the highlight on an excellent day's racing but Colm Murphy's charge never really looked likely to score and had to settle for third place behind Noel Meade's Iktitaf who defeated Asian Maze by a length and a quarter. At Navan in late November, Tom Taaffe's Cane Brake was an authoritative winner of the Troytown Chase for Barry Geraghty. In December Brave Inca took the Hatton's Grace Hurdle from Rosaker with the hot favourite, Asian Maze, proving to be a big disappointment in fourth place. At Punchestown the following week, the John Durkan Memorial Chase attracted a top class field and victory went to Michael O'Brien's In Compliance who proved too strong for War Of Attrition.

At Navan before Christmas Noel Meade's Aran Concerto showed his class with a fluent win in the Barry And Sandra Kelly Memorial Novice Hurdle at Navan while the Christmas Meetings at Leopardstown and Limerick were very successful. The Robert Alner trained The Listener made all the running to defeat Beef Or Salmon and War Of Attrition in the Lexus Chase at the Foxrock venue while Brave Inca, ridden for the first time by Ruby Walsh, showed his customary battling qualities to beat Iktitaf in the December Festival Hurdle.



FARMLEIGH

A RECEPTION TO CELEBRATE IRELAND'S NATIONAL HUNT RACING STARS

An Taoiseach Bertie Ahern paid tribute to Ireland's National Hunt Racing stars at a reception in Farmleigh in Dublin's Phoenix Park on Monday 12th June 2006.

The event, hosted by the Minister for Arts, Sport and Tourism Mr. John O'Donoghue T.D., was to mark yet another remarkable year for Ireland's National Hunt fraternity. Looking back on the season Minister O'Donoghue said: "Last year we gathered to celebrate a record-breaking nine wins at Cheltenham in addition to the King George at Kempton and the Aintree Grand National. We all felt at the time that this record could never again be matched but this season we actually exceeded it with a remarkable ten winners at Cheltenham and once again took all five major British National Hunt Races: the King George, the Gold Cup, Champion Chase, Champion Hurdle and the Aintree Grand National".

An Taoiseach Bertie Ahern said: "The Government's commitment to the development of Irish racing has created, through the Horse and Greyhound Racing Fund and the establishment of Horse Racing Ireland, a sport and an industry that is the envy of the world. The achievements of the racing people we have come to honour in Farmleigh demonstrate the great reservoir of talent that we have in this sport".

Presentations were made by An Taoiseach to the owners, trainers, jockeys and grooms of Brave Inca (winner of the Smurfit Kappa Champion Hurdle), Newmill (winner of the Queen Mother Champion Chase), War of Attrition (winner of the Totesport Gold Cup), each one victorious at the Cheltenham spring festival, and Numbersixvalverde (winner of the John Smiths Aintree Grand National in April).



1 An Taoiseach Bertie Ahern, Minister for Arts Sport and Tourism Mr John O'Donoghue, Niall 'Slippers' Madden, Andrew MacNamara and Colm Murphy. **2** Minister John O'Donoghue, TD, Mary Hayes, Pamela Osburne, An Taoiseach Bertie Ahern, John Murphy, Denis Brosnan and Andrew McNamara. **3** Colm Murphy, Minister John O'Donoghue, TD, Fergal O'Tierney, An Taoiseach Bertie Ahern, Denis Brosnan & James Kirwan



4) Niall 'Slippers' Madden, An Taoiseach Bertie Ahern, Minister John O'Donoghue and Colm Murphy. **5)** Elaine Taaffe, Dymphna Clarkson and Catherine Nolan. **6)** Noel Meade, Jason Morris, Paddy Walsh and Alexis Murphy. **7)** John Joseph Murphy and Andrew MacNamara. **8)** An Taoiseach and Conor O'Dwyer. **9)** Conor O'Dwyer, Michael 'Mouse' Morris and Denis Brosnan. **10)** Jennifer Walsh, Catherine Nolan, Audrey O'Dwyer and Gillian Doran

HRI BOARD AND HRI DIRECTORS



ABOVE: HRI DIRECTORS

Brian Kavanagh (Chief Executive), Margaret Davin (Chief Financial Officer), Jason Morris (Director of Racing), Raymond Horan (Company Secretary), Frank Meldon (Director of I.T) & Michael O'Rourke (Director of Marketing & Communications)

BELOW: HRI BOARD

Francis Hyland, Dermot Cantillon, Brian Kavanagh (Chief Executive), Noel Cloake, Jessica Harrington, Pierce Molony, Denis Brosnan (Chairman), Nicholas Wachman, John Moloney, John Power, Michael Doyle, Cahir O'Sullivan, Michael Murphy, (absent are Dan Kirwan & Jim Nicholson)



AUDITED REPORTS & GROUP **FINANCIAL STATEMENTS**



AUDITED REPORTS & GROUP FINANCIAL STATEMENTS

MEMBERS AND OTHER INFORMATION

MEMBERS

Mr Denis Brosnan	Chairman
Mr Pierce Molony	Vice Chairman
Mr Dermot Cantillon	
Mr Noel Cloake	[Appointed 9/2/2006]
Mr Jerry Desmond	[Retired 18/12/2006]
Mr Michael Doyle	[Appointed 9/1/2007]
Mr William Flood	[Retired 18/12/2006]
Mrs Jessica Harrington	
Mr Francis Hyland	
Mr John Kidd	[Retired 18/12/2006]
Mr Dan Kirwan	
Mr John Moloney	
Mr Michael Murphy	[Appointed 9/1/2007]
Mr James Nicholson	[Appointed 9/1/2007]
Mr Cahir O'Sullivan	
Mr John Power	
Mr Nicholas Wachman	

REGISTERED OFFICE

Thoroughbred County House
Kill
Co Kildare

SECRETARY

Mr Raymond Horan

AUDITORS

Comptroller and Auditor General
Dublin Castle
Dublin 2

SOLICITORS

Arthur Cox & Co
Arthur Cox Building
Earlsfort Terrace
Dublin 2

BANKERS

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

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members of Horse Racing Ireland are required to prepare financial statements in respect of the financial year ended 31st December 2006, which give a true and fair view of the state of affairs of Horse Racing Ireland and the group at the end of that period and of the result of the group for the period then ended. In preparing those financial statements, the members of Horse Racing Ireland are required to:

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

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

**Denis Brosnan,
Chairman
25th June 2007**

**Pierce Molony,
Vice Chairman
25th June 2007**

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

I have audited the financial statements of Horse Racing Ireland for the year ended 31st December 2006 under the Horse and Greyhound Racing Act, 2001.

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

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

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

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

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

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

OPINION

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Group's and Horse Racing Ireland's affairs at 31 December 2006 and of the Group's income and expenditure for the year then ended.

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

John Purcell
Comptroller and Auditor General
29 June 2007

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL FOR HORSE RACING IRELAND FOR THE YEAR ENDED 31 DECEMBER 2006

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

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

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

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

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

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

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

Horse Racing Ireland has an outsourced Internal Audit function which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies and which reports directly to the Audit Committee and in turn to the Board of HRI. The Internal Audit plans are carried out based on a risk analysis profile of activity and expenditure and the plans are pre approved by the Audit Committee on behalf of the Board. In 2006, three Audit Committee meetings were held and 16 separate reports presented.

For 2006, the head of Internal Audit provided the Board through the Audit Committee with a report on the Internal Audit activity for the year. This report includes the Head of Internal Audit's Statement of Assurance at a substantial level for the year 2006.

I confirm that in respect of the year ended 31st December 2006, the Audit Committee on behalf of the Board conducted a review of the effectiveness of the System of Internal Financial Controls and placed their report in front of the Board. The Board was informed of the review outcome.

Denis Brosnan, Chairman
25th June 2007

STATEMENT OF ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

BASIS OF CONSOLIDATION

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

TURNOVER

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

FIXED ASSETS AND DEPRECIATION

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

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

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 profit and loss account over the period 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.

FINANCIAL ASSETS

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

CONTRIBUTION TO PRIZE MONEY

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

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

STATEMENT OF ACCOUNTING POLICIES CONTINUED

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

PENSIONS

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

Defined Contribution Schemes

Payments to the defined contribution schemes are charged to the I&E in the period to which they relate.

Defined Benefit Schemes

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

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

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

LEASED ASSETS

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

GRANTS AND RACECOURSE IMPROVEMENT SCHEMES

(i) Grants paid

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

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

(ii) Grants received

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

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

(iii) Racecourse Improvement Schemes

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

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

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
TURNOVER			
Tote Ireland turnover		49,661	49,282
Betting and Exchange income		4,945	2,696
Racecourse income		11,112	7,532
TOTAL TURNOVER		65,718	59,510
Winnings paid on bets	4	(40,050)	(39,720)
Operating costs	4	(21,278)	(16,774)
DIRECT COSTS		(61,328)	(56,494)
OTHER INCOME			
Allocation from the Horse & Greyhound Racing Fund	5	56,047	54,680
Prize money contributions from Owners and Sponsors	7	24,441	21,273
Foal Levy	6	2,014	1,872
Registrations Income		3,147	2,910
Industry Services Income		490	-
Other Income	15	437	-
Industry contributions to Irish Thoroughbred Marketing		391	349
Interest income (net)	10	1,492	1,434
NET INCOME		92,849	85,534
EXPENDITURE			
Contributions to prize money	7	31,666	30,974
Prize money contributions from Owners and Sponsors	7	24,441	21,273
Integrity and Racecourse services	8	9,785	8,391
Racecourse Schemes	11	3,207	4,066
Capital Development Fund grants	11	4,830	1,522
Tote Capital Grant Amortisation	13	145	144
Capital Development Fund interest and expenses	10	602	497
Grants paid to Industry Bodies	9	1,911	1,366
Foal Levy distribution	6	1,486	1,006
Horse Racing Ireland administration costs	10	5,518	5,692
Irish Thoroughbred Marketing expenditure		1,516	1,359
General marketing and promotions		2,683	2,820
		87,790	79,110
Other Finance Income	24	68	(57)
Taxation		-	-
SURPLUS FOR THE PERIOD	10	5,127	6,367
Transfers to reserves	23	(471)	(5,587)
Minority Interests		(107)	-
Retained Surplus		4,549	780
SURPLUS AT 1st JANUARY		14,115	13,335
SURPLUS AT 31st DECEMBER		18,664	14,115

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

Denis Brosnan,
Chairman
25th June 2007

Pierce Molony,
Vice Chairman
25th June 2007

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Year Ended 31/12/06	Year Ended 31/12/05
		€'000	€'000
Surplus for the financial year		5,127	6,367
Actual return less expected return on scheme assets		1,060	1,828
Experience Gains and losses		(564)	110
Changes in Assumptions		(787)	(1,266)
Actuarial (loss)/gain recognised in the pension scheme	24	(291)	672
Total recognised gains for the year		4,836	7,039

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

Denis Brosnan,
Chairman
25th June 2007

Pierce Molony,
Vice Chairman
25th June 2007

GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	31/12/06 €'000	31/12/05 €'000
FIXED ASSETS			
Tangible assets	12	95,142	64,797
Intangible assets	13	190	335
Financial assets	14	4,972	5,612
Negative Goodwill	15,30	(11,873)	-
		88,431	70,744
CURRENT ASSETS			
Debtors	16	8,625	6,067
Cash at bank	17	45,055	60,135
		53,680	66,202
CREDITORS			
Amounts falling due within one year	18	39,249	36,514
		39,249	36,514
NET CURRENT ASSETS			
		14,431	29,688
TOTAL ASSETS LESS CURRENT LIABILITIES			
		102,862	100,432
CREDITORS			
Amounts falling due after more than one year	19	8,711	10,710
Pension Liability	24	3,265	3,464
		90,886	86,258
NET ASSETS			
Deferred Capital Grant	21	768	1,085
FINANCED BY			
Establishment reserve	22	17,109	17,109
Income and expenditure account		18,664	14,115
Other reserves	23	52,774	52,594
		89,315	84,903
Minority interest	25	1,571	1,355
		90,886	86,258

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

Denis Brosnan,
Chairman
25th June 2007

Pierce Molony,
Vice Chairman
25th June 2007

HORSE RACING IRELAND BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	31/12/06 €'000	31/12/05 €'000
FIXED ASSETS			
Tangible assets	12	27,882	26,335
Financial assets	14	24,722	18,523
		52,604	44,858
CURRENT ASSETS			
Debtors	16	9,268	2,811
Cash at bank	17	37,459	53,094
		46,727	55,905
CREDITORS			
Amounts falling due within one year	18	29,609	31,005
		29,609	31,005
NET CURRENT ASSETS			
		17,118	24,900
TOTAL ASSETS LESS CURRENT LIABILITIES			
		69,722	69,758
CREDITORS			
Amounts falling due after more than one year	19	7,663	9,631
Pension Liability	24	3,265	3,464
		58,794	56,663
NET ASSETS			
FINANCED BY			
Establishment reserve	22	9,592	9,592
Income and expenditure account		14,954	13,003
Other reserves	23	34,248	34,068
		58,794	56,663

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

Denis Brosnan,
Chairman
25th June 2007

Pierce Molony,
Vice Chairman
25th June 2007

GROUP CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	31/12/06 €'000	31/12/05 €'000
Net Cash Inflow from Operations	26(i)	6,333	13,771
Return on Investments and Servicing of Finance			
Interest Received		1,591	1,494
Interest Paid		(455)	(557)
Net Cash Inflow from Returns on Investments and Servicing of Finance			
		1,136	937
Capital Expenditure and Financial Investment			
Receipts from sale of tangible fixed assets		27	93
Payments to acquire tangible fixed assets		(13,749)	(13,021)
Additions to intangible assets		-	(7)
Loans to racecourses and Industry bodies		(2,687)	(399)
Racecourse loan repaid		(2,750)	
Preference shares and minority interests		107	98
Cash acquired with acquisition		122	-
Net Cash Outflow from Capital Expenditure And Financial Investment			
		(18,930)	(13,236)
Net Cash (Outflow)/Inflow before financing			
	26(ii)	(11,461)	1,472
Financing			
Bank loan repayment		(3,619)	(3,413)
Net Cash Outflow from Financing			
		(3,619)	(3,413)
(Decrease) in Cash			
	26 (iii)	(15,080)	(1,941)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. ESTABLISHMENT OF HORSE RACING IRELAND

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

2. EMPLOYEE NUMBERS

The number of persons employed by the group at 31 December 2006 is as set out below:

	Year Ended 31/12/06 Number	Year Ended 31/12/05 Number
Permanent staff	157	139
Racegoing staff - part time	615	578
	772	717

3. EMPLOYEE REMUNERATION

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

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Wages and salaries	10,359	8,829
Employer's social welfare costs	894	779
Employer's pension costs	661	589
Employee benefits plan costs and other benefits	264	252
	12,178	10,449

4. DIRECT COSTS

	Winnings paid on bets		Operating Costs		Total	Total
	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Betting collection costs	-	-	547	451	547	451
Tote Ireland	40,050	39,720	8,768	7,854	48,818	47,574
HRI Racecourses Group	-	-	11,963	8,469	11,963	8,469
	40,050	39,720	21,278	16,774	61,328	56,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

5. ALLOCATION FROM HORSE AND GREYHOUND RACING FUND

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

6. FOAL LEVY

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

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

The expenditure of €1.486m disclosed in the Income and Expenditure account excludes €375,000 allocated to ITM which is eliminated on consolidating Horse Racing Ireland accounts. The distribution of the Foal Levy is as follows:

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Breeders Prizes	240	233
Irish Equine Centre	800	780
Irish Thoroughbred Breeders Association	375	379
Others	71	109
	1,486	1,501

As at 31 December 2006, Horse Racing Ireland had a balance of €905,000 relating to the foal levy which is provided for future expenditure on programmes recommended by the Foal Levy Committee and approved by the Board of Horse Racing Ireland. This balance is included within reserves. Excluded from the above in 2005 is an amount of €495,000 which represents previous years unallocated income.

7. CONTRIBUTIONS TO PRIZEMONEY

Group	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
(a) From Sponsors	8,594	7,882
(b) From Owners	15,847	13,391
(c) From Horse Racing Ireland	31,666	30,974
	56,107	52,247

8. INTEGRITY SERVICES

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

9. GRANTS TO INDUSTRY BODIES

Grants paid to industry bodies analysed as follows:

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Irish Equine Centre	676	660
RACE	465	450
Order of Malta	291	97
Blue Cross	131	36
Vets/Farriers	215	30
Other Industry Bodies	133	93
	1,911	1,366

10. SURPLUS FOR THE PERIOD

Surplus for the period has been arrived at after charging:

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Depreciation	3,403	2,875
Amortisation of intangible assets	145	144
Auditors' remuneration	91	78
Interest payable on loans from banks	99	60
Capital Development Fund loan interest and expenses	602	497
Horse Racing Ireland Board Members' fees	168	115
and after crediting:		
Interest receivable on deposits	1,529	1,276
Interest receivable on loans	62	218
Profit on disposal of fixed assets	26	24

The remuneration package of the Chief Executive of Horse Racing Ireland for the period ended 31st December 2006 is as follows:

	€'000	€'000
Basic Salary	154	149
Pension Contributions and other Taxable Benefits	49	52
Performance Related Remuneration	39	37
	242	238
Employers' PRSI on the above	20	22

Horse Racing Ireland Administration costs comprise the following:

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Running costs of departments- Pay and Non- Pay	4,777	4,913
Building Running Costs	741	779
	5,518	5,692

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

11. RACECOURSE IMPROVEMENT SCHEMES AND CAPITAL GRANTS

A) IMPROVEMENT SCHEMES

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Health and Safety Grants	477	1,044
Winter Racing	140	140
Track Widening Grants	-	58
Sponsorship Incentive Scheme	291	358
Levy and Pitch Fee Payments to Racecourses	1,820	1,936
Tote Percentage Betting Payments	479	530
	3,207	4,066

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

B) CAPITAL GRANTS

	Year Ended 31/12/06 €'000	Year Ended 31/12/05 €'000
Capital Development Grants	4,830	1,522

In addition to amounts of €4.83m paid to third party racecourses amounts of €3.52m were paid to Racecourses within HRI Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

12. TANGIBLE ASSETS

GROUP

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	Total €'000
Cost			
At 1 January 2006	66,462	17,756	84,218
Acquisitions	19,350	650	20,000
Additions	12,713	1,036	13,749
Disposals	-	(83)	(83)
At 31 December 2006	98,525	19,359	117,884
Aggregate depreciation			
At 1 January 2006	7,794	11,627	19,421
Charge for period	1,423	1,980	3,403
Disposals	-	(82)	(82)
At 31 December 2006	9,217	13,525	22,742
Net book value			
At 31 December 2006	89,308	5,834	95,142
At 31 December 2005	58,668	6,129	64,797

HORSE RACING IRELAND

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	Total €'000
Cost			
At 1 January 2006	25,482	2,240	27,722
Additions	1,812	211	2,023
Disposals	-	(39)	(39)
At 31 December 2006	27,294	2,412	29,706
Aggregate depreciation			
At 1 January 2006	510	877	1,387
Charge for period	32	444	476
Disposals	-	(39)	(39)
At 31 December 2006	542	1,282	1,824
Net book value			
At 31 December 2006	26,752	1,130	27,882
At 31 December 2005	24,972	1,363	26,335

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

13. INTANGIBLE ASSETS

GROUP

(a) Capital development grants paid

	31/12/06 €'000	31/12/05 €'000
Paid to 1 January	45,723	45,716
Payments during the period	-	7
Paid to 31 December	45,723	45,723
Amortisation of grants paid		
Balance at 1 January	45,388	45,244
Charge for the period	145	144
Balance at 31 December	45,533	45,388
Net book value	190	335

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

The balance remaining (i.e. €190,000 2006; €335,000 2005) relates to grants paid by Tote Ireland to racecourses not owned by Horse Racing Ireland in order to fund capital developments of Tote buildings at those tracks. These grants are amortised over a five year period.

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

(c) Pre 2002, the IHA's capital grants were recorded as Intangible assets and released to the Income and Expenditure account over varying periods. (In 2002, following establishment of HRI the grants were written off over 1 year). From 2004 these grants are charged directly to the Income and Expenditure account.

14. FINANCIAL ASSETS

GROUP

	31/12/06 €'000	31/12/05 €'000
Loans to racecourses	4,972	5,612
HORSE RACING IRELAND		
Loans to subsidiaries	19,698	12,859
Investment in subsidiaries	52	52
Loans to racecourses	4,972	5,612
	24,722	18,523

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

15. GOODWILL

GROUP

Goodwill arising on Acquisitions	(12,310)	-
Goodwill attributable to non-monetary depreciable assets	(8,463)	-
Amortised to Profit and Loss account in period	(437)	-
Goodwill at 31 December	(11,873)	-

31/12/06	31/12/05
€'000	€'000

16. DEBTORS

Amounts falling due within one year:

GROUP

Trade debtors	5,960	4,452
Prepayments and accrued income	2,665	1,615
	8,625	6,067

31/12/06	31/12/05
€'000	€'000

HORSE RACING IRELAND

Trade debtors	2,295	1,739
Prepayments and accrued income	1,924	1,072
Amounts due from group companies	5,049	-
	9,268	2,811

31/12/06	31/12/05
€'000	€'000

17. CASH AT BANK

GROUP

Horse Racing Ireland	37,459	53,094
HRI Racecourses	2,226	1,228
Tote Ireland	5,157	5,758
Irish Thoroughbred Marketing	213	55
	45,055	60,135

31/12/06	31/12/05
€'000	€'000

HORSE RACING IRELAND

37,459	53,094
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The cash balance in Horse Racing Ireland relates to funds for stakes won but not drawn down by clients of the Registry Office at 31 December 2006, reserves for future capital development as well as amounts on deposit arising from the sale of land at Leopardstown.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

18. CREDITORS

Amounts falling due within one year:

GROUP

	31/12/06 €'000	31/12/05 €'000
Accruals	7,366	6,752
Deferred payment on asset acquisition	486	486
Bank loan (Note 20)	2,474	3,238
Trade creditors	6,017	5,625
Prize money due to racing clients	22,347	19,820
Guaranteed value races prize fund	180	180
Taxation creditors	379	413
	39,249	36,514

HORSE RACING IRELAND

Accruals	3,934	2,895
Amounts owed to group companies	-	4,056
Bank loan (Note 20)	1,587	2,603
Trade creditors	1,303	1,164
Prize money due to racing clients	22,347	19,820
Guaranteed value races prize fund	180	180
Taxation creditors	258	287
	29,609	31,005

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

	31/12/06 €'000	31/12/05 €'000
Balance at 1st January	180	265
Surpluses on Guaranteed Value Races	-	-
Released to Income & Expenditure Account	-	(85)
Balance at 31st December	180	180

ANALYSIS OF TAXATION CREDITORS

GROUP

	31/12/06 €'000	31/12/05 €'000
PAYE	212	227
PRSI	136	123
Other taxes	31	63
	379	413

HORSE RACING IRELAND

PAYE	152	151
PRSI	80	73
Other taxes	26	63
	258	287

19. CREDITORS

Amounts falling due after more than one year:

GROUP

	31/12/06 €'000	31/12/05 €'000
Bank loan (Note 20)	7,855	10,710
Deferred Income	856	-
	8,711	10,710

HORSE RACING IRELAND

Bank loan (Note 20)	7,663	9,631
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

20. BANK LOANS

	31/12/06 €'000	31/12/05 €'000
GROUP		
Repayable within 1 year	2,474	3,238
Repayable within 2 to 5 years	7,855	10,710
	10,329	13,948
HORSE RACING IRELAND		
Repayable within 1 year	1,587	2,603
Repayable within 2 to 5 years	7,663	9,631
	9,250	12,234

There is a negative covenant for €1.1 million (2005: €1.7m) in favour of our bankers pledged against the assets of The Leopardstown Club Limited of a similar value.

21. DEFERRED CAPITAL GRANT

	31/12/06 €'000	31/12/05 €'000
GROUP		
Paid to 1 January	1,085	1,402
Amortised during the period	(317)	(317)
Balance at 31 December	768	1,085

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

22. ESTABLISHMENT RESERVE

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

23. MOVEMENT ON OTHER RESERVES

	Establishment Reserve €'000	Reserve for Future Development €'000	Revaluation Reserve €'000	Pension Obligations €'000	Total Establishment and Other Reserves €'000
GROUP					
Opening balance at 1 Jan 2006	17,109	48,443	6,984	(2,833)	69,703
Transfer from Income and Expenditure	-	471	-	-	471
Actuarial Loss	-	-	-	(291)	(291)
Closing balance at 31 December 2006	17,109	48,914	6,984	(3,124)	69,883

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

23. MOVEMENT ON OTHER RESERVES (CONTINUED)

	Establishment Reserve	Reserve for Future Development	Revaluation Reserve	Pension Obligations	Total Establishment and Other Reserves
HORSE RACING IRELAND	€'000	€'000	€'000	€'000	€'000
Opening balance at 1 Jan 2006	9,592	29,917	6,984	(2,833)	43,660
Transfer from Income and Expenditure	-	471	-	-	471
Actuarial Loss	-	-	-	(291)	(291)
Closing balance at 31 December 2006	9,592	30,388	6,984	(3,124)	43,840

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

24. PENSION COMMITMENTS

i) Defined Benefit Scheme (Racing Board Scheme)

- On 1 December 1994, the Irish Horseracing Authority took over the operation of the Racing Board's Defined Benefit Pension Scheme for permanent staff. This scheme continues to operate under HRI since 18th December 2001.
- A full actuarial valuation was carried out on 1 April 2004. This valuation was updated for the purposes of FRS 17 by a qualified independent Actuary at 31 December 2006. The actuarial valuation carried out on 1 April 2004 is available to members of this scheme.
- This is now a closed scheme and there were 12 active participants and 49 inactive participants at 31 December 2006.
- Contributions made for the period ended 31 December 2006 were €419,000. Future contributions will be made in accordance with advice from Horse Racing Ireland's actuaries.

The main financial assumptions used to calculate the retirement liabilities under FRS 17 as at 31st December 2006 were as follows:

Valuation Method	Projected Unit	
	2006	2005
Discount Rate	4.75%	4.50%
Inflation Rate	2.25%	2.00%
Salary increases	4.00%	3.50%
Pension increases	2.50%	2.00%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

24. PENSION COMMITMENTS (CONTINUED)

The market value of assets in the pension scheme and the expected rate of return and the scheme liabilities as at 31st December 2006 were:

	Expected Return 2006	Expected Return 2005	Market Value at 31/12/06 €'000	Market Value at 31/12/05 €'000
Equities	7.25%	7.00%	9,567	8,621
Bonds	3.75%	3.50%	4,087	4,069
Property/ Other	6.25%	6.00%	1,257	994
Cash	1.75%	1.50%	227	110
			15,138	13,794
Present value of pension scheme liabilities			16,834	15,338
Net deficit in pension scheme			1,696	1,544
Net pension liability			1,696	1,544

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

	31/12/06 €'000	31/12/05 €'000
Current Service Cost	110	90
Past Service Cost	-	-

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

	€'000	€'000
Interest on scheme liabilities	697	714
Expected return on scheme assets	(812)	(725)

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

	€'000	€'000
Actual return less expected return on scheme assets	593	1,479
Experience gains and losses	(358)	134
Changes in assumptions	(811)	(773)
Actuarial (loss)/gain which is recognised in the STRGL	(576)	840

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

	€'000	€'000
Deficit at the beginning of the year	(1,544)	(2,427)
Current service cost	(110)	(90)
Contributions	419	122
Past service costs	-	-
Other finance income	115	11
Actuarial (loss)/gain	(576)	840
Deficit at end of year	(1,696)	(1,544)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

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

- a) On 1st May 2002, at the point of transfer of employees from the Turf Club to Horse Racing Ireland, a deed of Adherence between Horse Racing Ireland, Stewards of the Turf Club and Coyle Hamilton Trustees Limited was put in place allowing Horse Racing Ireland to be an Adhering Body to participate in the Turf Club of Ireland Pension Scheme (the Principal Employer) from that point.
- b) By virtue of the "Deed of Adherence", Horse Racing Ireland has covenanted with the Turf Club and the Trustees to be bound by the provision of the scheme set out by the declaration and the rules.
- c) There are 27 employees of Horse Racing Ireland in this scheme which is now a closed scheme. Of the 27 employees 22 are active and 5 inactive.
- d) The most recent actuarial valuation on the scheme was dated 1 May 2004.
- e) Contributions made for the period ended 31st December 2006 for the 27 employees included in this scheme were €260,000.
- f) This scheme also covers the employees of Integrity Services who are directly funded by HRI under the Irish Horseracing Authority Act 1994, Section 42. Employees of the Turf Club and the Curragh Racecourse are also included in the liabilities of the scheme but not in the net pension liability defined underneath.

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

Valuation Method	Projected Unit	
	2006	2005
Discount Rate	4.75%	4.50%
Inflation Rate	2.25%	2.00%
Salary increases	4.00%	3.50%
Pension increases	2.50%	2.50%

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

	Expected Return 2006	Expected Return 2005	Market Value at 31/12/06 €'000	Market Value at 31/12/05 €'000
Equities	7.25%	7.00%	13,095	10,992
Bonds	3.75%	3.50%	2,223	1,891
Property/ Other	6.25%	6.00%	1,030	822
			16,348	13,705
Present value of pension scheme liabilities			22,022	20,647
Net pension liability total scheme			5,674	6,942
Net deficit in pension scheme in relation to HRI direct employees			1,569	1,920
Net deficit in pension scheme in relation to HRI directly funded Integrity Services Employees			3,095	3,805

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

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

	31/12/06	31/12/05
	€'000	€'000
Current Service Cost	145	120
Past Service Cost	-	-

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

	€'000	€'000
Interest on scheme liabilities	185	160
Expected return on scheme assets	(138)	(92)

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

	€'000	€'000
Actual return less expected return on scheme assets	467	349
Experience gains and losses	(206)	(24)
Changes in assumptions	24	(493)

Actuarial gain/(loss) which is recognised in the STRGL

	285	(168)
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Analysis of the movement in deficit during the year is as follows:

	€'000	€'000
Deficit at the beginning of the year	(1,920)	(1,825)
Current service cost	(147)	(120)
Contributions	260	261
Past service costs	-	-
Other finance income	(47)	(68)
Actuarial gain/(loss)	285	(168)
Deficit at end of year	(1,569)	(1,920)

iii) Defined Contribution Scheme/PRSA

- Horse Racing Ireland operates a Defined Contribution Scheme for all employees not in the Defined Benefit Scheme, i.e. 102 employees.
- The pension costs for the period ended 31 December 2006 was €308,000. There were no prepaid costs at the end of the period.

25. MINORITY INTEREST

	31/12/06	31/12/05
	€'000	€'000
Opening balance	1,355	1,257
Movement in the year	216	98
Closing balance	1,571	1,355

Navan Golf Club Plc has a nominal share capital of 1,000 Preference Shares at 6 cent each. There were 551 shares issued and fully paid as at 31 December 2006 and the share premium on these issued shares was €1,585,000. The balance represents negative minority interest of €23,000 in Tipperary Race Company Plc and Minority Interest in Fairyhouse Club Limited of €9,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

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

	31/12/06 €'000	31/12/05 €'000
Surplus for the year	5,127	6,367
Interest Receivable	(1,591)	(1,494)
Interest Payable	455	557
Depreciation charges	3,403	2,875
Profit on sale of tangible assets	(26)	(24)
Amortisation of Capital Development Fund grants	145	144
Amortisation of Negative Goodwill	(437)	-
(Increase) in Debtors	(2,056)	(533)
Decrease in Financial Assets	784	-
Increase in Creditors	1,336	6,312
Difference between pension charge and contributions	(490)	(116)
Amortisation of deferred capital grants	(317)	(317)
NET CASH INFLOW FROM OPERATIONS	6,333	13,771

26. (ii) RECONCILIATION OF MOVEMENT IN NET FUNDS

	31/12/06 €'000	31/12/05 €'000
(Decrease) in Cash in the Period	(15,080)	(1,941)
Repayment of Bank loans	3,619	3,413
Change in Net Funds	(11,461)	1,472
Opening Net Funds	46,187	44,715
Closing Net Funds	34,726	46,187

26. (iii) ANALYSIS OF CHANGES IN NET FUNDS

	31/12/2005 €'000	Cash Flows €'000	Acquisition €'000	31/12/2006 €'000
Cash at Bank	60,135	(15,202)	122	45,055
Debt due within 1 year	(3,238)	764		(2,474)
Debt due after 1 year	(10,710)	2,855		(7,855)
	46,187	(11,583)	122	34,726

27. CAPITAL AND OTHER COMMITMENTS

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

	31/12/06 €'000	31/12/05 €'000
Commitments	33,737	11,675

HRI has a commitment in respect of the leasing of premises in the next year amounting to €315k. This comprises rent payable on leasehold interest on premises at Embassy Park. Notification has been given to the lessors to exercise a break clause in the agreements in anticipation of HRIs impending relocation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

28. CONTINGENT LIABILITIES

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

29. POST BALANCE SHEET EVENTS

A loan of €2.5m was advanced to the Punchestown Companies in December 2006. This is subject to the restructuring of the leases held by the Punchestown Companies and a new long term agreement between HRI and the Punchestown Companies. This new agreement will incorporate the current loan with Punchestown and the terms attached to the existing capital grant between Punchestown and HRI.

30. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 1st January 2006 Horse Racing Ireland exercised the option provided in the Convertible Redeemable Secured Debenture Stock Instrument dated 26th January 2001, and converted 2,000,000 Stock Units in Fairyhouse Club Limited into 2,000,000 Ordinary Shares of €1.27 each, in the ratio of 1:1. This shareholding is registered in the name of HRI Racecourses Limited (a subsidiary body of Horse Racing Ireland) and represents a majority stakeholding of Fairyhouse Club Limited of €99.94%

A summary of the fair value of the assets acquired are as follows;

Fair Values	Assets Acquired €'000	Fair Value Adjustments €'000	Fair Values €'000
Tangible Fixed Assets	24,760	(4,760)	20,000
Intangible Fixed Assets	194	(194)	-
Debtors	502	-	502
Cash	122	-	122
Loans	(2,750)	-	(2,750)
Creditors less than one year	(1,934)	-	(1,934)
Creditors greater than one year	(1,082)	-	(1,082)
Net Assets	19,812	(4,954)	14,858
Provisional Fair Value of Acquisition			14,858
Minority Interests			(9)
Net Assets Acquired			14,849
Negative goodwill			(12,310)
			2,539
Satisfied by;			
Conversion of a loan to share capital			2,539

The fair value adjustments have been made following an independent valuation on a depreciated replacement cost basis of the fixed assets of the acquired companies by HT Meagher O'Reilly following acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 CONTINUED

31. PRINCIPAL SUBSIDIARIES

Direct Subsidiaries	% Held	Principal Activities
Tote Ireland Limited	100	Operation of Totalisator at racemeetings, operation of a telebetting service and internet betting.
Irish Thoroughbred Marketing Limited	100	Promotion of the Irish Thoroughbred Horse
HRI Racecourses Limited	100	Racecourse Holding Company
Indirect Subsidiaries		
The Leopardstown Club Limited	100	Holding of racemeetings and ancillary activities
Navan Races Limited	99.58	Holding of racemeetings and ancillary activities
Cork Racecourse Limited	100	Letting of land
The Tipperary Race Company PLC	97.55	Holding of racemeetings
Navan Golf Club PLC	100	Operation of a golf course
Fairyhouse Club Limited *	99.94	Holding of race meetings
Ballyhack Enterprises Limited *	99.94	Holding of ancillary racing activities
Raheen Developments Limited *	99.94	Racecourse Development Company

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

* Acquired on 1 January 2006.

PHOTOGRAPHY DETAILS

All racing photographs used in the HRI annual report 2006 are taken by Healy Racing Photography (HR), Peter Mooney (PM) or Caroline Norris (CN).

COVER

(main shot) Owner Bill Durkan and family along with Kevin Prendergast's travelling head lad Padraic 'Buzzer' Purcell congratulating Declan McDonogh on winning the inaugural Shelbourne Hotel Goffs Million race on Miss Beatrix. (CN)

(top left) Kay Hourigan congratulating successful jockey Andrew McNamara after a thrilling win in the Hennessy Gold Cup in Leopardstown on Beef Or Salmon. (CN)

(second left) Dylan Thomas strides clear from his rivals with Kieren Fallon on board in the Budweiser Irish Derby. (CN)

(third left) Conor O'Dwyer and War of Attrition are congratulated by delighted owner Michael O'Leary after landing the Guinness Gold Cup at Punchestown. (CN)

(right) HRI's 2006 Fashion Ambassador Caroline Morahan with winner of the Best Dressed Lady competition sponsored by House of Fraser, Veronica Ryan on Baileys Irish Champion Stakes day.

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Field breaking from the stalls in Cork racecourse, Mallow. (CN)

PAGE 4

Horses racing out on their second circuit in Clonmel. (CN)

PAGE 5

(top left) Marks & Spencer Best Dressed Lady Nicola Coonan at Fairyhouse with judge Síle Seoige on Powers Whiskey Irish Grand National Day.

(second left) Jockey Conor O'Dwyer and Yasmin le Bon at Friday of the Punchestown Festival.

(third left) Bronze Statue of Nijinsky at the Curragh Racecourse.

(right) Jockey Kieren Fallon with trainer Aidan O'Brien, wife Ann-Marie and their children celebrating Dylan Thomas's victory in the Budweiser Irish Derby.

(main shot) Brother and sister Nina and Paul Carberry. (CN)

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(bottom left) - Numbersixvalverde clears the last fence alongside Hedgehunter with Clan Royal in third

on his way to victory in the John Smiths Aintree Grand National.

(centre) - The packed enclosures at the Punchestown festival - the double decker marquee in the background.

(bottom right) - Connections of Miss Beatrix celebrate her great victory in the augural running of the Shelbourne Hotel Goffs Million at the Curragh in September.

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(top left) - Dylan Thomas stretches clear of his rivals to land the Budweiser Irish Derby under Kieren Fallon.

(centre) - Galway Hurdle Day at the Galway Festival attracted a record crowd of over 48,000 racegoers.

(top right) - The photographers at work on Ryder Cup race day at the Curragh.

(main shot) - Brave Inca and Ruby Walsh are too strong for Iktitaf and Paul Carberry in the Bewleys Hotels December Festival Hurdle at Leopardstown in December.

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(top left) - Newmill and Andrew McNamara are led into the winners' enclosure after winning the Kerrygold Champion Chase at the Punchestown Festival. (CN)

(second left) - War Of Attrition and Conor O'Dwyer stride clear to win the Cheltenham Gold Cup. (CN)

(third left) - The thrills and spills of bank racing with the familiar J.P. McManus colours leading the way. (CN)

(fourth left) - A driving finish to the Menolly Homes Handicap Hurdle at the Fairyhouse Easter Festival with victory going to 33/1 outsider, Wishwillow Lord. (CN)

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The big field clear one of the fences in the early stages of the Powers Whiskey Irish Grand National at Fairyhouse. (CN)

PAGE 16

The runners come out to parade before the running of the Powers Whiskey Irish Grand National in front of the packed enclosures at Fairyhouse. (CN)

PAGE 17

A bird's eye view of the racing at Leopardstown for two of the Stewards. (CN)

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(bottom left) - Racing at Navan with the new Arkle Pavilion in the background.

(second left) - Atmospheric photo of racing as the sun sets. (HR)

(third left) - A crowded bookmakers ring.

(bottom right) - The much loved Solerina leads the field in the early stages of the 2005 John James McManus Memorial Hurdle at Tipperary with eventual winner, Harchibald, in second place.

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(bottom left) - Jockey Kevin Manning gives a victory salute after partnering Jim Bolger's Teofilo to victory in the Laing O'Rourke National Stakes at the Curragh. (CN)

(second left) - Alexandrova gives joint owner Gay Smith a nudge watched by her husband Derrick after winning The Epsom Oaks. (HR)

(third left) Spot The difference leading home his rivals to record his fourth win at the Paddy Power Open meeting at Cheltenham in November. (HR)

(right) - Yeats winning the Gold Cup in Royal Ascot being led in by Mrs Diane Nagle and Mr Tom Magnier. (HR)

PAGE 21

(bottom left) - Martin Brassil's Nickname leads over the last in the Newlands Chase at Naas but was thwarted by Sir Oj (blinker) on the run to the line. (CN)

(second left) - Macs Joy is led in by delighted connections after winning the AccBank Champion Hurdle at the Punchestown Festival. (CN)

(third left) - George Washington lives up to his name as 'Gorgeous' George with a scintillating victory in the English 2000 Guineas at Newmarket. (CN)

(bottom right) - Studmaster and Tommy Treacy clear the final flight on their way to victory in the Pierse Hurdle at Leopardstown. (CN)

HORSE RACING IRELAND ANNUAL REPORT 2006

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HORSE RACING
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