



HORSE RACING
IRELAND

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07

ANNUAL REPORT 2007





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MISSION STATEMENT

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

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

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

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

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





BOARD MEMBERS & CEO OF HRI



BRIAN KAVANAGH

FRANCIS HYLAND

MICHAEL DOYLE

JOHN McSTAY

MICHAEL MURPHY

DERMOT CANTILLON

DENIS BROSAN

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Dermot Cantillon	Racehorse Breeders representative
Noel Cloake	Representative of persons employed in the horse racing industry
Michael Doyle	Racing Regulatory Body representative
Francis Hyland	Authorised Bookmakers representative
Dan Kirwan	Representative of persons employed directly in the horse racing industry
John McStay	Racing Regulatory Body representative
Noel Meade	Racehorse Trainers representative
John Moloney	Racing Regulatory Body representative
Michael Murphy	Racecourses representative
Jim Nicholson	Representative of persons in the horse racing industry in Northern Ireland
Mary O'Connor	Racing Regulatory Body representative
John Power	Racehorse Owners representative

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Joe Foley
Noel Meade
Jim Mernagh
Joe Osborne
David O'Loughlin
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JOHN MOLONEY

JOHN POWER

NICHOLAS WACHMAN

DAN KIRWAN

MARY O'CONNOR

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Edmund Loder
Tim O'Regan
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Albert Sherwood
Joe Shorthall

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

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Raymond Horan
Joe Walsh

DUNDALK RACECOURSE

Philip Furlong
Jason Morris
Noel Meade

IRISH EQUINE CENTRE

Dermot Cantillon
Margaret Davin
Michael Sadlier

PUNCHESTOWN RACECOURSE

David Mongey
Raymond Horan
Dick O'Sullivan
Niyall Speirs

RACE

Margaret Davin
Dan Kirwan
David Wright

CHAIRMAN'S REPORT



I am pleased to present the 2007 Annual Report for Horse Racing Ireland. As can be seen from the accounts and associated notes, 2007 was another successful year for Irish racing. This success is underpinned by the continued support of Government and by the dedication of the officials in the Department of Arts, Sport and Tourism. Irish racing is supported in a way which provides a sound environment for long term planning and development. This is because of the knowledge and understanding of the sport by many members and officials of Government. This understanding extends to an appreciation of the significant economic value of the thoroughbred industry to our rural economy and the agricultural sector.

The successes of 2007 have given us encouragement to achieve even better things in the future.

In presenting these accounts, I would like to thank all of my colleagues on the Board of Horse Racing Ireland and those who served on the subsidiary Boards and Committees as well as the executive team led by Brian Kavanagh. It is an honour to serve as Chairman of such a dedicated Board and executive team and I look forward to further growth and development of this great industry in the immediate future.

Denis Brosnan





CHIEF EXECUTIVE'S REPORT



2007 was another year of growth and development for the Irish racing and breeding industries. Attendances at Irish racecourses reached an all time high of 1.46 million, on course betting grew by 7.6% and total off course betting for the year exceeded €3.6 billion. Tote turnover improved dramatically by 23% to €61.3 million, helped by increased co-mingling from Britain and internationally through the At The Races Channel. At 12,633, Ireland's thoroughbred foal population remained the highest in Europe and the third largest in the world.

Horse Racing Ireland continued its ongoing programme of improvement of Irish racecourses and, during 2007, grant aid of €44 million was approved for a further five courses. The summer period saw the opening of the new €22 million Killanin Stand at Galway followed closely by the opening of Ireland's first all weather racetrack at Dundalk on August 26th, both of which concluded as a result of grant aid approved for these tracks in 2006.

Great credit is due to all involved with the Dundalk project as it provides a wonderful facility for both the public and industry. Horse Racing Ireland's policy has been to ensure that a high standard of racing takes place there through race planning and prize money strategies. The response to Dundalk has been very positive and the track has been well supported by the leading owners and trainers.

In February, the Board approved a new Racecourse Improvements Scheme which will see grant aid of €7.5 million allocated to Category 1 and Category 2 courses with the emphasis on the development of enhanced facilities for the general public. During 2007, Horse Racing Ireland also completed the construction of its new headquarters at Ballymany, The Curragh and staff moved in over the weekend of December 12th. It is a great benefit to have all of our staff now based under one roof and I must pay tribute to all of the team for the manner in which they have carried out their duties throughout the transition period.

During the year, significant work was carried out with the Curragh in progressing their development plans. Final planning approval from An Bord Pleanála will now enable the Curragh to commence its very exciting development, which will be the biggest ever to take place in Ireland.

On track, it was a year of much success both locally and internationally for Irish horses, trainers, jockeys and owners. Among the highlights were: the victory of Silver Birch in the Aintree Grand National, making it a sixth Irish trained winner in the last nine years;

Sublimity's Champion Hurdle victory; the double Guineas triumph of Finsceal Beo; Dylan Thomas recording an unprecedented treble of the King George VI & Queen Elizabeth Diamond Stakes, the Tattersalls Millions Irish Champion Stakes and the Prix de l'Arc de Triomphe; and New Approach emulating Teofilo a year previously by giving Jim Bolger and Kevin Manning a second consecutive European Champion Two Year Old – Ireland's third in the last four years.

Horse Racing Ireland is committed to staging racing of the highest quality in Ireland. Central to this commitment are our prize money and race planning strategies. In 2007 total prize money amounted to €60.7 million, an increase of 8.2%, and Ireland's average prize money, at €24,867 per race, was the highest in Europe. Horse Racing Ireland ensured that more than 10% of the races run were black type races and all of these comfortably achieved the required standard to maintain their ratings, which is a very positive reflection on the quality of horses in training in Ireland.

One of the consequences of the success of the industry in recent years has been the huge growth in our foal population, from 10,574 in 2003 to 12,633 in 2007. This has given rise to a 30% increase in the number of horses in training in Ireland over the same period and has led to significant problems with balloting at certain times of the year. During the year, the Board approved new quality control measures aimed at ensuring that adequate opportunities are created for the better horses within the system. These mean that from the start of 2008, the minimum qualifying rating for flat races was increased from 42 to 45 and for hurdle races from 74 to 77. It is the intention that these levels will be raised further in 2009 and thereafter as necessary.

June saw the completion of a new five year deal between the Association of Irish Racecourses and SIS for the provision of pictures of Irish racing into betting shops in the UK and Ireland until 2013. The deal represented a significant improvement on previous arrangements and will help to secure the financial future of a number of racecourses. That issue was brought home with the announcement in August by the Directors of Tralee of their decision to close the racecourse and sell the property for development purposes. The reality is that other Irish racecourses will find themselves in a similar situation to Tralee as the potential development value of their land increases significantly. Against this background, Horse Racing Ireland will work with racecourses to maximise the return from their business and to ensure that the appropriate investment is being made in racecourses whose long term commitment to racing is secure.

The prominent position which the Irish racing and breeding industry holds worldwide and its successes in recent years are a reflection of the positive approach which successive Governments have taken to the sector. The establishment of the Horse and Greyhound Racing Fund in 2001 has allowed long term strategic planning to take place and has acted as a catalyst for sustained growth and development of the sector. The return which the State receives from this investment is indeed significant with in excess of 16,000 people at work in the industry, mostly in rural areas. Additionally, there are an estimated 80,000 tourist visits to the country annually and significant tax revenues to the exchequer from both the racing and breeding industries.

Independent studies have shown that the Punchestown and Galway Festivals contribute approximately €45 and €60 million respectively to their local economies and the Indecon Report estimated that the thoroughbred breeding industry made a gross contribution per annum of €330 million. Bloodstock breeding is now one of the fastest growing elements of agricultural output, accounting for more than 10% of all livestock output.

On that positive note, I would like to pay tribute to the Minister for Arts, Sport and Tourism and his officials for their constant support and advice during the year and to thank the employees of Horse Racing Ireland and its subsidiary companies for their input to a successful year for Irish racing.



FINANCE REVIEW

The financial results continue to be satisfactory for 2007 giving strong financial support to HRI's continuing Capital Development Programme with Racecourses.

Within the year, a group deficit of €5.401m arises primarily due to an increase in Capital Fund Grants expenditure from €4.830m to €17.658m as well as a pension settlement figure of €3.3m due to the merging of pension schemes which resulted

in a change of base under FRS 17.

The increase in the Capital Development Fund Grants as part of our significant developments being planned under the new Capital Development Programme was primarily due to Galway and Dundalk. Funding of this programme going forward will be a combination of internally generated funds and external borrowings.

GROUP INCOME AND EXPENDITURE ACCOUNT

Turnover for the year was up 18% or €11.9m to €77.7m compared to €65.7m in 2006. The turnover increase is primarily due to the Tote increasing by 23% or €11.7m.

Income from bookmakers and Betting Exchange decreased by €625k, however 2006 contained a retrospective payment for 2005. The income from On-Course Bookmakers' betting and pitch charges is paid back to the relevant racecourses.

This amounted to €2.1m in 2007, up from €1.8m the previous year. The number of fixtures in 2007 increased by 14 or 4.4% to a figure of 333. 22 of these fixtures were run in Northern Ireland, the same number as 2006. The numbers of Races run in 2007 increased by 129 to 2,397, up from 2,268.

Complete statistics for Irish Racing are available in the Horse Racing Ireland Fact Book 2007 and on the web site www.goracing.ie.

OTHER INCOME

Other income has increased by €14.5m or 16.4% to €103m. The increase in the Horse and Greyhound Racing Fund was €2.49m or 4.4%, while Foal Levy contributions were up €180k due primarily to an increase in foals registered of 5.2% (12,633 in 2007 compared to 12,004 in 2006). Registrations Income was up €552k or 17.5% from the previous year due

to increase in entries, registrations and the number of horses in training. Interest Income increased by €242k from the previous year and media income of €648k was a new income stream in 2007. Profit on disposal of land amounted to €7.196m which was land disposed of under CPO to the RPA in 2007.

PRIZE MONEY

The total prize money of €60.7m showed an increase of €4.6m from the prior year total of €56.1m. The contribution from owners was up by €1.8m from the prior year. This includes an increase of €0.8m due to the increase in prize fund of the "Goffs Millions Races". Sponsor contributions

increased by €1.1m while HRI's contribution also increased by €1.7m to €33.4m in 2007. Point to Point prize money was €1.1m against €1m in 2006. There were 108 Point to Point fixtures in 2007 against 102 fixtures in the previous year.





EXPENDITURE

Other Group Expenditure at €49.5m was up €17.8m or 56% from the 2006 figure of €31.7m. The main increase reflects an additional €12.9m paid in Capital Grants to third party Racecourses. The amount paid in Capital Development Grants to third party Racecourses in 2007 was €17.7m against €4.8m in 2006. The level of investment on our Capital Developments with Racecourses has significantly increased in 2007 as part of our overall high level of commitment to the industry.

Integrity and Racecourse Services costs decreased by 1% or €109k in 2007.

Payments made to Racecourses for various programmes increased by 21% to €3.9m from €3.2m. This was primarily due to an increase in Health and Safety Grants since the scheme concluded at the end of 2007.

Grants/Fees paid to Industry Bodies increased by €530k in 2007, which is primarily due to the new scheme of Industry Service Grants which commenced in May 2006. There were also additional jockey/horse ambulance requirements in 2007. Grants paid to RACE, which is the training

body for industry employees, amounted to €590k, an increase of €125k from 2006. The Irish Equine Centre received €703k with an additional funding of €900k paid under the Foal Levy Scheme, a total increase in funding of €127k in 2007.

Distributions made under the Foal Levy Scheme in 2007 increased by €227k in 2007 to €1.713m. The main third party beneficiaries in 2007 were as in previous years, the Irish Equine Centre and ITBA.

Administration costs have decreased by €423k or 8%.

General Marketing and Promotional costs were up €203k mainly due to an increase in the use of the Big Screen as well as some extra promotional activity. The continued high level of marketing spend reflects HRI's aim to promote Ireland as a world centre of excellence for horse racing and breeding.

A pension settlement loss is included in 2007 amounting to €3.251. This complies with FRS 17 standard and takes account of a change in base due to merging pension schemes.

ITM

Irish Thoroughbred Marketing, which is funded through a combination of contributions from the industry and Horse Racing Ireland, increased its promotional activity in 2007 by €171k. This cost was

mainly due to an increased cost of the Inward Buyer Programme, an increase in Market Development activity, a full compliment of staff for the year and increased National Hunt Activity.

GROUP CASH FLOW

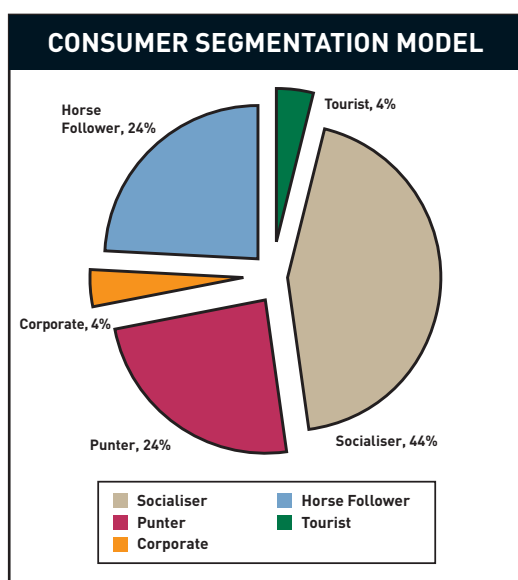
Group cash flow from operations amounted to an outflow of €4.964m. The net cash inflow from returns on investments and servicing of finance amounted to €1.298m giving a total cash outflow of €3.666m. We had payments to acquire fixed assets totalling €14.6m in the year. This related mainly to completion of the Head Office in Ballymany, completion of the Leopardstown & Navan re-

development and some additions to TOTE. Net cash outflow before financing totalled €10.718m for 2007. Group Bank loan repayments amounted to €1.587m in the year and an increase in bank loans amounted to €4.4m. This resulted in a decrease in cash for 2007 of €7.904m which was primarily funded by previous years reserves.

MARKETING REVIEW

2007 saw HRI Marketing continue to place the consumer and the consumer experience of horse racing at the core of all marketing activities. The key performance indicator for HRI Marketing is to grow attendances for horse racing in Ireland. Central to delivery of this objective is a clear understanding of consumer needs and wants and ensuring that the consumer experience of race going is optimised.

HRI Marketing has a clear understanding of our consumers. There are five defined consumer segments – tourist, corporate, punters, horse followers and socialisers.



The largest segment is socialisers, representing over 40% of the market and the growth of this lucrative sector over the last number of years is indicative of the success of Racing in moving beyond its core audience to attract a younger more urban consumer with higher levels of disposable income. Despite the growth achieved to-date, awareness and penetration levels are such that there remains scope to further grow attendances in the future not only through those whose primary motivation for racecourse attendance is social but also through the tourist and corporate segments. Future development of the sport will likely be fuelled through growth of these non-core consumers for whom racing is one entertainment option among many.

Whilst each segment has different wants and needs in respect of the race day experience, all racegoers demand a high quality standard. With this in mind, HRI continued its quality development programme in 2007, delivered through the AA Ireland, to measure quality standards on Irish racecourses. The audit work of the AA Ireland in conjunction with the on-going and invaluable input of the Racegoers Consultative

Forum ensured that delivery of a quality product to our consumers remained paramount throughout 2007. The Hector O'hEochagain fronted "Let Yourself Go!" advertising campaign featured throughout the year across TV and radio and continued to build awareness and trial of the horse racing brand. Research conducted by the independent market research agency Red C, as recently as October 2007, continued to validate the potency of the campaign. "Let Yourself Go!" is seen to capture the mood, the excitement and the atmosphere of horse racing and represents a compelling call to action for both loyalists and non-loyalists alike.

In addition to the national "Let Yourself Go!" campaign, Hector also made a number of personal appearances in 2007, through the "Big Bash" series of racing showcases which took place at Galway and Kildangan as well as Derby Friday, the Tramore Festival and during the All-Ireland Ploughing Championships. 2007 also saw bespoke advertising campaigns developed for the launch of the Ireland's first all-weather racing track in Dundalk and for the Listowel racing festival.

HRI Marketing also continued to work closely with racecourses throughout 2007 in other areas. Navan, Roscommon, Listowel and Tipperary racecourses were all re-branded during the year, whilst, successful Ladies Days were held in Ballinrobe, Bellewstown, Leopardstown Listowel and Sligo. In addition, HRI held major events to launch the summer racing season and the HRI awards ceremony, now a major highlight of the racing calendar.

HRI also worked closely with Failte Ireland in 2007 to grow the tourist segment of the racing market. A UK campaign ran in September 2007 and targeted the British race going public, encouraging them to "Go Racing in Ireland in September". The campaign reached over six million people and was an example of a co-operative effort between HRI and Failte Ireland to grow a developing and lucrative market segment.

A major initiative undertaken in 2007 by HRI Marketing was to further expand our footprint in the online space with the launch in March of the "goracing.ie" website. Specifically designed to be both informative and useful to the loyal race follower but also sufficiently friendly to draw new consumers to the sport, the website attracted over 1.5 million visitors in the ten months post launch, an increase of over one million on its predecessor. The website continues to attract more visitors and unique impressions month on month and will be a major engine of marketing activity into the future.

Overall then, HRI marketing activity in 2007 delivered a focused and innovative campaign in co-operation with our racecourse partners to grow racing attendances and to ensure an outstanding consumer experience.

TOTE REVIEW 2007

Tote recorded an impressive year in 2007 with total turnover growing to €61.3m, an increase of 24% highlighting the growing popularity of Tote betting and horse racing in Ireland.

The on-course business stabilised relative to 2006 in what remains a challenging environment. Total revenues on-course of €36.8m were up €1.4m in part due to the increase in the number of Irish fixtures.

Betting by Tote Account holders increased by 24% to €13.7 million. This increase was largely driven by the very popular "Tote Price Promise" which guarantees Account Holders the better of Tote Odds or the Bookmakers' SP. Internet betting continued to grow strongly and now accounts for 30% of total account betting compared to 20% last year.

Betting from third parties such as the UK Tote (and their bookmaker partners), the French Tote (PMU) and a number of other international Totes (including Totes in the US, Germany and Netherlands) totalled €10.8m which represents growth of 21%.

Tote's landmark deal with the UK Tote, which enabled UK punters to bet into Irish Tote pools from over 8,500

UK betting shops, was a significant catalyst in helping the Tote increase its turnover. The new deal allowed UK betting shops to bet into Win, Place, Exacta and Placepot pools and also led Tote Ireland to revamp the Irish Placepot – most significantly running the Placepot on races 1–6.

The new Irish Placepot which was launched in time for the Punchestown 2007 festival had an immediate positive effect with a record dividend of €8,988 on the Tuesday. Placepot pools now average in excess of €10k at every race-meeting.

Another highlight of the year was the successful launch of the new racecourse in Dundalk which averaged turnover per race-meeting of over €120k. This was a pioneering joint initiative with the IGB Tote which enables Dundalk racecourse to offer betting on horseracing as well as greyhound racing.

Gross profit for the year increased to €10.6m from €9.6m an increase of over 10% on last year. Costs increased by €0.4m primarily arising from increases in staff costs due to the National Wage Agreements, marketing and additional operational costs in the internet business.



HRI RACECOURSES

HRI Racecourses seeks to build a customer-oriented commercial culture across all operations, generating profits for re-investment in the development and promotion of the HRI owned racing venues at.

- Leopardstown
- Fairyhouse
- Navan
- Tipperary

The racecourses are supported by centralised resources from HRI's headquarters, including Strategic Planning and Management, Finance, Human Resources, Training and IT.

With 72 fixtures, HRI Racecourses had 23% of the national total and their combined attendance of 328,594 was also 23% of the national total.

FAIRYHOUSE

There were 21 fixtures in Fairyhouse in 2007, the highlight being the annual Easter Festival where attendances reached a seven year high of 36,897 over the three days, an increase of 13.1% on 2006. The highlight of the meeting, the Powers Whiskey Irish Grand National, was won by the Jonjo O'Neill trained Butlers Cabin, owned by JP McManus.

The Grade 1 Powers Gold Cup was won by the Charlie Swan trained One Cool Cookie on Easter Sunday and the Menolly Homes Handicap Hurdle, the highlight of Easter Tuesday's card saw Charlie Swan's Emmprat coming home in front in an exciting renewal.

During 2007, the inside track was used to great success and it is planned to have up to eight fixtures on this track in 2008. The use of the track enables Fairyhouse to save ground for its festivals and has been well received by all stakeholders.

Works were completed during 2007 on the schooling track which is expected to be in use from Autumn 2008 onwards as a dedicated schooling ground. As well as being a welcome revenue source for the racecourse, this track will provide a much needed service to the industry.

Caroline Gray took over as General Manager at Fairyhouse on 1st October and shortly afterwards, plans began for a significant capital development programme covering improvements in facilities which are due to be launched in two phases – one in 2008 and one in 2009.

Overall attendances were 80,896, an increase of 9% on the previous year. Tote betting amounted to €3.1 million and bookmaker turnover was €14.2 million representing an increase in total betting of 1%.



LEOPARDSTOWN

Leopardstown staged 22 race meetings in 2007 comprised of 7 National Hunt and 15 Flat, with overall attendances of 170,182.

The March National Hunt meeting having succumbed to weather conditions was replaced by a Flat meeting in early November.

Tote betting for the year amounted to €7.13 million while Bookmaker turnover reached a figure of €25.87 million.

There were a number of staff changes during the year, most notable being the departure of Operations Manager, Darren Lawlor, to take up the position of Manager at Navan Racecourse.

Among the highlights of the National Hunt Season in the early part of the year were the victories of “Spring The Que” in The Pierse Hurdle, “Hardy Eustace” in The AIG Europe Champion Hurdle and “Beef or Salmon” in The Hennessy Cognac Gold Cup, for the third time.

The Flat Season commenced with significant victories for “Mores Wells” in The P W McGrath Memorial Ballysax Stakes and “Archipenko” in The Derrinstown Stud Derby Trial Stakes.

The Summer Season of Miller Evening Meetings continued to grow in popularity and despite the poor

weather conditions attracted attendances of 39,000.

The highlight of The Flat Season – The Irish Champion Stakes was run under the Tattersalls Millions banner for the first time in early September and in a thrilling contest “Dylan Thomas” repeated his win of 2006. In the other Group 1 race on that day, The Coolmore Fusaichi Pegasus Matron Stakes, “Echelon” claimed victory when holding off the challenge of 2006 winner “Red Evie”.

The Christmas National Hunt Festival, run on summer-like ground conditions, attracted large crowds who enjoyed quality racing. On the first day “Sky’s The Limit” captured the Durkan New Homes Novice Chase while on the second day “Newbay Prop” won the Paddy Power Chase with The Paddy Power Dial-A-Bet Chase going to “Mansony”. On the third day the featured Lexus Chase was won by “Denman” while the second Grade 1 event on that day, The Knight Frank Novice Chase was won by “Notre P re”. On the fourth and final day of the Festival “Al Eile” was an impressive winner of the bewleyshotels.com December Festival Hurdle.

GOLF

Following the development of the new Golf Centre at Leopardstown, including 75 driving bays, business at the venue has surpassed expectations and the securing of ILGU affiliation for the ladies’ societies has further enhanced the product offering at the facility.



NAVAN

Navan raced 17 times in 2007. Overall attendances for the year were 49,645 a 2% increase on last year.

Tote betting amounted to €1.54 million while bookmaker turnover came to €9.2 million.

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

The Boyne Hurdle race-day in February featuring three Cheltenham trial type races was very successful. The €50,000 (Grade 2) McCabe Builders Boyne Hurdle was won by 'Sweet Kiln' trained by J Bowe. 'Young Desperado' won the Kevin McManus 'Flyingbolt' €50,000 Novice Chase for trainer Robert Tyner and 'Snowy Morning' won the Ladbrokes.com 'Ten Up' Novice Chase (Grade 2) for W P Mullins.

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

The winter highlights included the Harrmack Developments Fortria raceday when 'French Accordion' took the feature race for trainer Paul Nolan, while

'Quinmaster' won the Bar-One Racing 'For Auction' Novice Hurdle for Michael Halford. The Philips Electronics €50,000 (Grade 2) 'Lismullen Hurdle' went to Sweet Kiln trained by Michael James Bowe.

The flagship William Hill in Ireland Troytown €100,000 Grade B Chase proved to be a brilliant win for local trainer Tony Martin with 'Royal County Star'. Maureen Danagher's 'Rathmore Castle' 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 Eamon Sheehy trained 'Trafford Lad'.

Off the track 2007, was also an exciting year for Navan with the completion of the new development consisting of a new weighroom complex together with associated medical rooms, press room and a new Owners/Members /Trainers Bar. The development also included 140 new stables with veterinary facilities, wash bays and grooms canteen, enhanced nicely by a smart new roadside fencing.

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.

TIPPERARY

The 2007 season at Tipperary began and finished in glorious sunshine with unseasonable ground for April and October. The summer however was a washout for Tipperary like the rest of the country. The attendance was 27,871 which was 6% up on 2006. The Tote and Bookmakers betting generated €4.9 million which was up from €4.8 million in 2006.

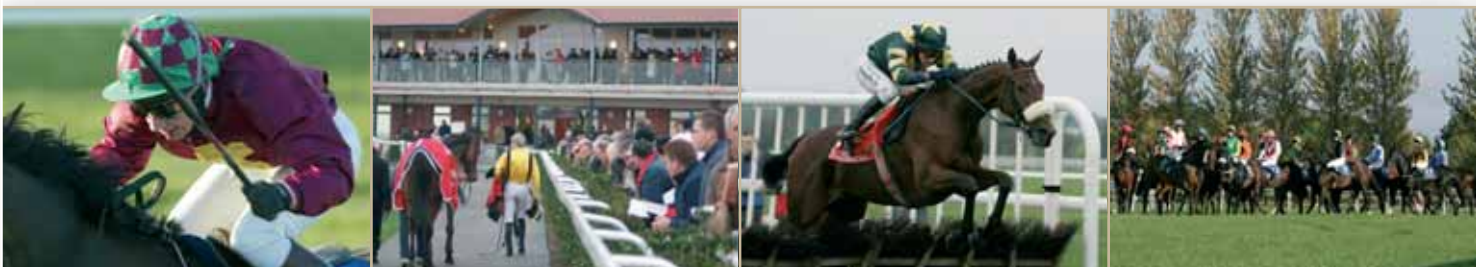
The Ad Valorem Stakes at Tipperary in August was the highest rated two year old listed race run in Ireland in 2007, where the David Wachman trained Lissvale finished in-front of the Breeder's Cup second Achill Island. This reaffirms the decision to move the race forward to August from its previous slot on Super Sunday.

Super Sunday was another tremendous success in 2007, with Killerk Construction taking over sponsorship of the Grade 2 Tipperary Hurdle. This year's race was won in impressive style by Nina Carberry on the Gordon Elliott trained Salford City. Of the other feature races, the O'Dwyer Steel Chase was won by French Accordion

while Norther Bay won the Ballykisteen Hotel Novice Hurdle. The Group 3 Coolmore Concorde Stakes was won by the progressive mare Eastern Appeal. Essex was an impressive winner of the Kevin McManus Hurdle during the Summer festival while the Tom O'Leary trained De Coursey Sunrise was a popular winner of the Gateway Properties Chase.

During the year a new purpose built machinery shed and workshop was completed while the old workshop adjacent to the turnstiles was demolished.

A planned redevelopment of the facilities commenced at the end of the season which will see major improvements to customer facilities. There will be a total refurbishment of the Istabraq bar, a relocated and refurbished member's room along with a new ladies toilet in the Tipperary Stand. These improvements have been carried out based on the recent AA customer survey report and the facilities will be in place for the season start in April.



IRISH THOROUGHBRED MARKETING REVIEW

The year kicked off with a Government Trade Mission to Saudi Arabia and Dubai. Accompanying the Taoiseach and various other Government Ministers, ITM hosted several receptions and Taoiseach Bertie Ahern presented the winners trophy to Saeed Al Tayer representing the Emirates Racing Authority, for presentation to the winner of the Irish Trophy Race at Nad Al Sheba. The Asian Racing Conference was also held in Dubai in January and ITM were among the exhibitors. This conference attracts industry contacts from all over the world and represents a unique opportunity to showcase the Irish Bloodstock industry to a global audience.

ITM recognises the importance of the UK as a market for Irish Bloodstock. As a result, ITM has increased its activities at UK racecourses. Under National Hunt Activity, ITM entered into a season long agreement with Cheltenham racecourse. By sponsoring the Owner Experience at Cheltenham, ITM have a significant presence at the home of British National Hunt racing. The sponsorship provides ITM with an opportunity to advertise both on the track, in the race-card and in various publications produced by the Racecourse.

2007 saw the inaugural running of the "Irish Thoroughbred Marketing Cherry Hinton Stakes" at Newmarket and the "Ireland Gimcrack Stakes" at York. Both races are Group Two races for two year olds and their timing and location provide an ideal platform for ITM to promote Irish Bloodstock and Irish sales to their key target market.

ITM's race promotional activity was not, however, only confined to the UK. Over the course of the year, ITM also promoted races in Turkey, Germany, Spain and Japan. The races in Turkey and Japan are exchange races with the respective country's racing authorities. In return for these races, ITM offer both the Turkish Jockey Club and the Japan Racing Association the opportunity to sponsor a race at an Irish racecourse.

Due to the ever increasing number of sales dates every year, the ITM team attend more sales at home and abroad. In Ireland, there were seven more sales days in 2007 than in 2006. However, despite this extra number of horses to go through the ring, there was actually a 7% drop in total sales turnover between the Irish auction

companies. An increase in international sales days is definitely a contributing factor to this slight drop off. 2007 saw new sales taking place in Italy, Spain, France and the USA as international sales companies and marketing organisations do battle to attract potential buyers to their sales.

Turkey and India are two very important markets for Irish Bloodstock and ITM undertook extensive market visits of both countries prior to the November Breeding Stock sales. The visits were a success with a large delegation of breeders and bloodstock agents from both India & Turkey attending the Goffs sale. The visitors were responsible for purchasing over €1.5 Million worth of bloodstock. Other countries visited throughout the year included Greece, South Africa, Austria, Italy, France, Korea and Hong Kong.

On the racetrack, Irish bred horses have certainly played their part in making ITM's job easier. Worldwide success on the flat has been plentiful with Irish bred stars such as Dylan Thomas, New Approach, Daytona and Finsceal Beo flying the flag. New Approach was crowned European Champion two year old, providing Jim Bolger with the accolade two years running following the exploits of Teofilo. Dylan Thomas won four Group Ones culminating in a victory in the Arc de Triomphe. Finsceal Beo landed a famous Irish/English Guineas double and only failed narrowly to record a historic treble in the French equivalent. Across the water in America, the Irish National Stud bred Daytona was a triple Graded race winner including the Grade 1 Hollywood Derby in California.

Over the jumps, twelve of the twenty four races at the 2007 Cheltenham Festival were won by Irish bred horses while the first four home in the Aintree Grand National were Irish bred; as a bonus the first four home also started their career in Irish point to points. Overall in 2007, Irish bred horses won 60% of all Grade 1 national hunt races run in Britain and Ireland. The success of so many up and coming young horses augurs well for 2008 and should ensure that Irish bred horses continue to feature strongly in the top level international contests.

ITM welcomed two new additions to the team in 2007, Anna Kerr and Eamonn Cullen and look forward to the challenges of 2008.



2007 RACING REVIEW

Cork based trainer, Robert Tyner, saddled Spring The Que to land the valuable Pierse Hurdle at Leopardstown in mid-January, while Pat Hughes's Point Barrow proved best in the Pierse Leopardstown Chase on the same afternoon despite having to shoulder top weight. The Ellen Construction Thyestes Chase at Gowran Park provided Willie Mullins with a memorable 1-2, as Homer Wells led home stable companion Livingstonebramble. Back at Leopardstown on the last weekend of the month, one of the greatest hurdle races ever held in Ireland witnessed a decisive victory for former dual Champion Hurdle winner, Hardy Eustace, as he defeated old rivals, Brave Inca and Maccs Joy, in a cracking renewal of the AIG Europe Champion Hurdle.

The Hennessy Cognac Gold Cup at Leopardstown in early February developed into a thrilling race as the Michael Hourigan trained Beef Or Salmon came from a near impossible position early in the straight to overhaul English raider, The Listener, close home for a most unlikely third success in Ireland's premier weight for age steeplechase. This victory brought Beef Or Salmon's haul of Grade 1 victories to ten. On the same afternoon, Noel Meade's Aran Concerto impressed in taking the Deloitte Novice Hurdle, while Mister Top Notch was a surprise winner of the Dr. P.J. Moriarty Novice Steeplechase for trainer Davy Fitzgerald.

The 2007 Cheltenham Festival produced five Irish trained victories with John Carr's Sublimity providing a 16/1 surprise in the Smurfit Champion Hurdle to become the fourth consecutive Irish trained winner of the race as he dethroned Brave Inca in great style under Philip Carberry. The younger Carberry also enjoyed a fine end to the meeting as he brought Tony Mullins' Pedrobob from well off the pace to take the concluding County Hurdle.

The early weeks of April were dominated by the John Smith's Aintree Grand National and for the third consecutive year there was an Irish trained success in the world's greatest steeplechase as Silver Birch, trained in County Meath by rookie trainer Gordon Elliott, emerged best in a three way battle under a powerful ride from Robbie Power. On the same card, John Queally's Al Eile returned to top form with a hard fought success in the Aintree Hurdle to crown a wonderful afternoon for the Irish.

April ended with another hugely successful Punchestown Festival as record crowds thronged to the County Kildare track. The biggest race of the week was the Guinness Punchestown Gold Cup and here the Ruby Walsh-Paul Nicholls combination struck for an excellent victory with Neptune Collonges. Arthur Moore's Mansony claimed the Kerrygold Champion Chase, Refinement landed the Champion Stayers' Hurdle for trainer Jonjo O'Neill and jockey Tony McCoy, while the Harry Rogers trained Silent Oscar sprang a 20/1 surprise in the ACCBank Champion

Hurdle as he just edged out Maccs Joy in a real thriller.

On the flat scene, Jim Bolger's Teofilo was ruled out of the English 2000 Guineas at Newmarket in May after sustaining a knee injury which was ultimately to end his career. In his absence, it was Geoff Huffer's Cockney Rebel who proved to be the 25/1 winner with Aidan O'Brien's Duke Of Marmalade the highest placed Irish finisher in fourth spot. However, Jim Bolger enjoyed much better fortune in the English 1000 Guineas the following afternoon as Finsceal Beo ran out a most impressive winner from the John Oxx-trained Arch Swing. Just seven days later, Finsceal Beo was narrowly denied a famous double when she was caught close home by the flying late challenge of Darjina in the French 1000 Guineas, but the Boylesports sponsored version at the Curragh at the end of the month provided a happier ending as she held off the late effort of Dimenticata by a neck to become just the second filly in history to complete the English-Irish 1000 Guineas double.

Aidan O'Brien mounted an eight-pronged attack on the Vodafone Epsom Derby in early June with Eagle Mountain faring best in finishing a creditable second to the impressive winner, Authorized. However, there was better luck for the stable when Scorpion landed the Coronation Cup, while Peeping Fawn lost little in defeat when settling for the runner up spot behind Henry Cecil's Light Shift in the Vodafone Oaks. O'Brien enjoyed a fine Royal Ascot meeting with four winners, the highlight of which was the second consecutive victory of Yeats in the Ascot Gold Cup. The stable also enjoyed a 1-2-3 in the St James's Palace Stakes as Excellent Art led home stable companions Duke Of Marmalade and Astronomer Royal.

The final running of the Irish Derby under the Budweiser sponsorship in late June resulted in another 1-2-3 for the Aidan O'Brien yard as Soldier Of Fortune strode clear of stablemates Alexander Of Hales and Eagle Mountain in the Curragh mud to score by nine lengths, thus giving jockey Seamus Heffernan the biggest win of his career to date. The Darley Irish Oaks weekend at the Curragh was reduced to just one day after Saturday's fixture fell victim to the weather and in the testing conditions it was Peeping Fawn who proved too strong for her rivals to give trainer Aidan O'Brien a second success in the race under Johnny Murtagh, with retained rider Kieren Fallon having to miss the meeting due to an injury.

Dylan Thomas provided the O'Brien stable with another Group 1 triumph as he sauntered to an easy victory in the King George VI & Queen Elizabeth Diamond Stakes at Ascot in July, while the seven day Galway Festival at the end of the month was once again an unqualified success with huge attendances and levels of betting throughout the week. On the track, the Liam Burke trained Sir Frederick won the William Hill Galway Plate, while Pat

Hughes' Farmer Brown was a clear cut winner of the Guinness Galway Hurdle as a well supported 9/2 favourite.

August opened with another impressive performance from the brilliant Peeping Fawn as she made it three consecutive Group 1 victories in the Nassau Stakes at Goodwood, but the stable suffered a setback when their Coventry Stakes winner, Henrythenavigator, was beaten by 25/1 chance Saoirse Abu, trained by Jim Bolger, in the Waterford Wedgwood Phoenix Stakes at the Curragh. Trainer Tommy Stack enjoyed a fine season with his juveniles and his Myboycharlie made it three wins on the bounce with a decisive success in the Prix Morny at Deauville, while another juvenile making a name for himself was Jim Bolger's New Approach who took the Futurity Stakes at the Curragh in grand style. Sunday 26th August was an historic day in Irish racing as Dundalk staged the first ever all weather race meeting in Ireland and it proved to be a huge success with a capacity, all-ticket crowd of 7,000 turning up to witness some fine racing.

Jim Bolger's Saoirse Abu proved that her Waterford Wedgwood Phoenix Stakes success was no fluke with another fine performance to take the Moyglare Stud Stakes at the Curragh in September. Six days later, Aidan O'Brien's Dylan Thomas became the first horse to win the Irish Champion Stakes twice with victory in the Tattersalls Millions sponsored event at Leopardstown. The Autumn Festival of Racing at the Curragh in mid-September proved to be another memorable weekend for trainer Jim Bolger and jockey Kevin Manning as they combined to take the Parknasilla Hotel Goffs Fillies Million with newcomer, Lush Lashes, while New Approach stretched his unbeaten sequence to four with success in the Bank Of Scotland Ireland National Stakes defeating a high class field in the process. On a terrific weekend of racing, Yeats gave trainer Aidan O'Brien a first ever success in the Irish Field Irish St Leger as he got the better of a protracted battle with stable companion Scorpion.

Listowel's seven day Harvest Festival was another successful week boasting wonderful attendances, with trainer Eric McNamara capturing the feature event, the Guinness Kerry National, as his Ponmeoath took the spoils. Jessica Harrington was the leading trainer with five winners and she continued her good form later that week when her Curtain Call made all the running to win the Juddmonte Beresford Stakes at the Curragh.

In October, Dylan Thomas became the first Irish trained winner of the Prix de l'Arc de Triomphe at Longchamp since Sinn dar in 2000 when triumphing by a head under an inspired Kieren Fallon ride. Champions Day at Newmarket also proved a memorable one for Irish

trained horses. Jim Bolger's New Approach landed the Dewhurst Stakes, Tony Martin's Leg Spinner took the Cesarewitch and Aidan O'Brien's Kitty Matcham proved successful in the Rockfel Stakes to complete a big race hat-trick for the Irish. It could have been even better if Eagle Mountain had not failed by a short head to capture the Dubai Champion Stakes with French raider Literato emerging best in a thriller.

The National Hunt season was in full swing by November and the two day Down Royal meeting witnessed a good victory for Paul Nicholls and Ruby Walsh with Taranis in the James Nicholson Champion Chase. Noel Meade's Jazz Messenger landed a nice touch by taking the Morgiana Hurdle at Punchestown, while at Cheltenham Enda Bolger's Spot The difference signed off his wonderful career with victory in the Cross Country Chase and Henry de Bromhead's Sizing Europe took the Greatwood Hurdle in fine style under Timmy Murphy. Back home, Tony Martin's Royal County Star recovered from a penultimate fence blunder to take the Troytown Chase at Navan, while in Britain on the same day, Hardy Eustace proved he was no back number by landing the Ascot Hurdle.

Noel Meade's Harchibald bounced back to his best form with a smooth as silk victory in the Fighting Fifth Hurdle at Newcastle and twenty four hours later there was further cause for celebration for the stable when Aitmatov got up in the last stride to win the Hatton's Grace Hurdle at Fairyhouse, with Muirhead initiating a big race double in the Royal Bond Novice Hurdle on the same afternoon.

The final flat meeting of the season took place at Dundalk in early December with Aidan O'Brien once again crowned champion trainer while he shared the crown with Dermot Weld in the category for number of winners trained. Chris Hayes was Champion Apprentice for the third consecutive year and Pat Smullen captured his fourth Champion Jockeys' crown.

At Punchestown, the testing conditions suited The Listener in the John Durkan Memorial Chase as he made all to win convincingly, while Eamon Sheehy's Trafford Lad took the Barry & Sandra Kelly Memorial Novice Hurdle at Navan the following weekend. The big Leopardstown meeting at Christmas witnessed more top class racing and Sky's The Limit was a narrow winner of the Durkan New Homes Novice Chase, while the Durkan New Homes Juvenile Hurdle provided rookie trainer Sabrina Harty with a memorable success as Won In The Dark ran out a cosy winner. Tony Martin enjoyed another big race handicap victory with Newbay Prop in the Paddy Power Chase, while Denman travelled across from the Paul Nicholls yard to justify odds on favouritism in the Lexus Chase and Al Eile was successful in the December Festival Hurdle.



HRI DIRECTORS



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)

AUDITED REPORTS & **GROUP FINANCIAL STATEMENTS**

07

AUDITED REPORTS & GROUP FINANCIAL STATEMENTS

MEMBERS AND OTHER INFORMATION

MEMBERS

Mr Denis Brosnan	Chairman
Mr Nicholas Wachman	Vice Chairman
Mr Dermot Cantillon	
Mr Noel Cloake	
Mr Michael Doyle	
Mrs Jessica Harrington	(Retired 18/12/2007)
Mr Francis Hyland	
Mr Dan Kirwan	
Mr John McStay	(Appointed 7/2/2008)
Mr Noel Meade	(Appointed 7/2/2008)
Mr John Moloney	
Mr Pierce Molony	(Retired 18/12/2007)
Mr Michael Murphy	
Mr James Nicholson	
Ms Mary O'Connor	(Appointed 7/2/2008)
Mr Cahir O'Sullivan	(Retired 18/12/2007)
Mr John Power	

REGISTERED OFFICE

Ballymany
The Curragh
Co Kildare

SECRETARY

Mr Raymond Horan

AUDITORS

Comptroller and Auditor General
Dublin Castle
Dublin 2

SOLICITORS

Arthur Cox
Earlsfort Centre
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 2007, 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
17th October 2008

Nicholas Wachman,
Vice Chairman
17th October 2008

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

I have audited the financial statements of Horse Racing Ireland for the year ended 31st December 2007 under the Horse and Greyhound Racing Act, 2001.

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

I read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

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

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

relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made 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 31st December 2007 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 Buckley
Comptroller and Auditor General
24th October 2008

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL FOR HORSE RACING IRELAND FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007, five Audit Committee meetings were held and 17 separate reports presented.

For 2007, 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 (medium) level for the year 2007.

I confirm that in respect of the year ended 31st December 2007, 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
17th October 2008**

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 prizemoney for such races. Where there is a surplus in any guaranteed value race this is used to fund any deficits in other such races at a subsequent time as directed by the Chief Executive of Horse Racing Ireland.

PENSIONS

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

Defined Contribution Schemes

Payments to the defined contribution schemes are charged to the Income & Expenditure 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 group position.

(ii) Grants received

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

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

(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.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in periods different from those in which they are recognised in the financial statements.

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

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
TURNOVER			
Tote Ireland turnover		61,320	49,661
Betting and Exchange income		4,320	4,945
Racecourse income		12,007	11,112
TOTAL TURNOVER		77,647	65,718
Winnings paid on bets	4	(50,741)	(40,050)
Operating costs	4	(24,945)	(21,278)
DIRECT COSTS		(75,686)	(61,328)
OTHER INCOME			
Allocation from the Horse & Greyhound Racing Fund	5	58,539	56,047
Prize money contributions from Owners and Sponsors	9	27,338	24,441
Foal Levy	6	2,194	2,014
Registrations Income		3,699	3,147
Industry Services Income		687	490
Other Income	7	577	437
Industry contributions to Irish Thoroughbred Marketing		374	391
Interest income (net)	12	1,734	1,492
Media Income		648	-
Profit on disposal of fixed assets	8	7,196	-
NET INCOME		104,947	92,849
EXPENDITURE			
Contributions to prize money	9	33,372	31,666
Prize money contributions from Owners and Sponsors	9	27,338	24,441
Integrity and Racecourse services	10	9,676	9,785
Racecourse Schemes	13	3,874	3,207
Capital Development Fund grants	13	17,658	4,830
Tote Capital Grant Amortisation	15	147	145
Capital Development Fund interest and expenses	12	739	602
Grants/Fees paid to Industry Bodies	11	2,441	1,911
Foal Levy distribution	6	1,713	1,486
Media Costs		341	-
Horse Racing Ireland administration costs	12	5,095	5,518
Irish Thoroughbred Marketing expenditure		1,687	1,516
General marketing and promotions		2,886	2,683
Pension Settlement Loss	27	3,251	-
		110,218	87,790
Other Finance (Expense) / Income	27	(221)	68
Taxation	30	91	-
(DEFICIT) / SURPLUS FOR THE PERIOD	12	(5,401)	5,127
Transfers from/to reserves	26	5,149	(471)
Minority Interests		3	(107)
Retained (DEFICIT) / Surplus		(249)	4,549
SURPLUS AT 1st JANUARY		18,664	14,115
SURPLUS AT 31st DECEMBER		18,415	18,664

The statement of Accounting Policies and Notes 1 to 33 form part of these financial statements

Denis Brosnan,
Chairman
17th October 2008

Nicholas Wachman,
Vice Chairman
17th October 2008

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
(Deficit) / Surplus for the financial year		(5,401)	5,127
Actual return less expected return on scheme assets		(3,105)	1,060
Experience gains and losses		(890)	(564)
Changes in assumptions		3,171	(787)
Actuarial loss recognised in the pension scheme	27	(824)	(291)
Total recognised (loss) / gains for the year		(6,225)	4,836

The statement of Accounting Policies and Notes 1 to 33 form part of these financial statements.

Denis Brosnan,
Chairman
17th October 2008

Nicholas Wachman,
Vice Chairman
17th October 2008

GROUP BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	31/12/07 €'000	31/12/06 €'000
FIXED ASSETS			
Tangible assets	14	104,994	95,142
Intangible assets	15	97	190
Financial assets	16	4,939	4,972
Negative Goodwill	17	(11,436)	(11,873)
		98,594	88,431
CURRENT ASSETS			
Debtors	18	10,963	8,625
Cash at bank	19	37,151	45,055
		48,114	53,680
CREDITORS			
Amounts falling due within one year	20	43,269	39,249
		43,269	39,249
NET CURRENT ASSETS			
		4,845	14,431
TOTAL ASSETS LESS CURRENT LIABILITIES			
		103,439	102,862
CREDITORS			
Amounts falling due after more than one year	21	11,025	8,711
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension Liability	27	6,576	3,265
NET ASSETS			
		84,627	90,886
Deferred Capital Grant	24	451	768
FINANCED BY			
Establishment reserve	25	17,193	17,109
Income and expenditure account		18,415	18,664
Other reserves	26	46,693	52,774
		82,752	89,315
Minority interest	28	1,875	1,571
		84,627	90,886

The statement of Accounting Policies and Notes 1 to 33 form part of these financial statements.

Denis Brosnan,
Chairman
17th October 2008

Nicholas Wachman,
Vice Chairman
17th October 2008

HORSE RACING IRELAND BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	31/12/07 €'000	31/12/06 €'000
FIXED ASSETS			
Tangible assets	14	37,954	27,882
Financial assets	16	18,059	24,722
		56,013	52,604
CURRENT ASSETS			
Debtors	18	16,017	8,468
Cash at bank	19	29,824	37,459
		45,841	45,927
CREDITORS			
Amounts falling due within one year	20	34,806	29,609
		34,806	29,609
NET CURRENT ASSETS			
		11,035	16,318
TOTAL ASSETS LESS CURRENT LIABILITIES			
		67,048	68,922
CREDITORS			
Amounts falling due after more than one year	21	8,921	7,663
Pension Liability	27	6,576	3,265
		51,551	57,994
FINANCED BY			
Establishment reserve	25	9,592	9,592
Income and expenditure account		13,792	14,154
Other reserves	26	28,167	34,248
		51,551	57,994

The statement of Accounting Policies and Notes 1 to 33 form part of these financial statements.

Denis Brosnan,
Chairman
17th October 2008

Nicholas Wachman,
Vice Chairman
17th October 2008

GROUP CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	31/12/07 €'000	31/12/06 €'000
Net Cash (Outflow) / Inflow from Operations	29(i)	(4,964)	6,333
Return on Investments and Servicing of Finance			
Interest Received		1,769	1,591
Interest Paid		(471)	(455)
Net Cash Inflow from Returns on Investments and Servicing of Finance		1,298	1,136
Capital Expenditure and Financial Investment			
Receipts from sale of tangible fixed assets		7,272	27
Payments to acquire tangible fixed assets		(14,610)	(13,749)
Additions to intangible assets		(54)	-
Loans repaid / (to) racecourses and Industry bodies		36	(2,687)
Racecourse loan repaid		-	(2,750)
Preference shares and minority interests		304	107
Cash acquired with acquisition		-	122
Net Cash Outflow from Capital Expenditure And Financial Investment		(7,052)	(18,930)
Net Cash Outflow before financing	29(ii)	(10,718)	(11,461)
Financing			
Bank loan in the period		4,401	-
Bank loan repayment		(1,587)	(3,619)
Net Cash Inflow / (Outflow) from Financing		2,814	(3,619)
Decrease in Cash	29(iii)	(7,904)	(15,080)

The statement of Accounting Policies and Notes 1 to 33 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. CHANGES IN ACCOUNTING POLICIES

During the year, TOTE Ireland Limited, a subsidiary of Horse Racing Ireland, adopted FRS 21 "Events after the Balance Sheet Date". This has resulted in a change to the timing of recognition of TOTE Ireland's proposed final dividend to the parent. In accordance with FRS 21, dividends are not recorded until approved by the Board of Directors. The adoption of FRS 21 has been reflected in the accounts as a prior year adjustment in accordance with FRS 3 in the Balance Sheet of the parent. This has resulted in a decrease in net assets as at 31 December 2006 of €800,000 and a decrease in retained earnings for the year ended 31 December 2006 of €800,000 for the Balance Sheet of the parent.

2. EMPLOYEE NUMBERS

The number of persons employed by the group at 31 December 2007 is as set out below:

	Year Ended 31/12/07 Number	Year Ended 31/12/06 Number
Permanent staff	167	157
Racegoing staff - part time	620	615
	787	772

3. EMPLOYEE REMUNERATION

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

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Wages and salaries	11,231	10,359
Employer's social welfare costs	981	894
	12,212	11,253

4. DIRECT COSTS

	Winnings paid on bets		Operating Costs		Total	Total
	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Betting collection costs	-	-	491	547	491	547
Tote Ireland	50,741	40,050	8,923	8,768	59,664	48,818
HRI Racecourses Group	-	-	15,531	11,963	15,531	11,963
	50,741	40,050	24,945	21,278	75,686	61,328

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 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 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 €1.713m disclosed in the Income and Expenditure account excludes €400,000 allocated to Irish Thoroughbred Marketing Limited which is eliminated on consolidating Horse Racing Ireland accounts. The distribution of the Foal Levy is as follows;

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Breeders' Prizes	227	240
Irish Equine Centre	900	800
Irish Thoroughbred Breeders Association	400	375
Irish Horse Welfare Trust	100	-
Others	86	71
	1,713	1,486

As at 31 December 2007, Horse Racing Ireland had a balance of €985,014 relating to the foal levy which is provided for future expenditure on programmes recommended by the Foal Levy Committee and approved by the Board of Horse Racing Ireland. This balance is included within reserves.

7. OTHER INCOME

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Goodwill amortisation (Note 17)	437	437
Income from Way leave	140	-
	577	437

8. PROFIT ON DISPOSAL OF FIXED ASSETS

The profit on disposal of fixed assets relates to the disposal of land in Leopardstown racecourse under CPO to the Railway Procurement Agency in December 2007.

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Group		
Horse Racing Ireland	7,196	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

9. CONTRIBUTIONS TO PRIZEMONEY

Group	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
(a) From Sponsors	9,688	8,594
(b) From Owners	17,650	15,847
(c) From Horse Racing Ireland	33,372	31,666
	60,710	56,107

The 2007 Owners figure includes an increase of €800,000 due to the increase in prize fund of the "Goffs Millions Races".

10. 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 the funding to the Racing Regulatory Body in order to meet the costs of providing such services as laid out in Part III, paragraph 42 of the 1994 Act.

Horse Racing Ireland directly funds Racecourse 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.

The amount paid to the Racing Regulatory Body in 2007 is shown as net of the employer pension contribution of €304,000.

11. GRANTS/FEES TO INDUSTRY BODIES

Grants/fees paid to industry bodies analysed as follows:

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Irish Equine Centre	703	676
RACE	590	465
Order of Malta	369	291
Blue Cross	183	131
Vets/Farriers	301	215
Other Industry Bodies	295	133
	2,441	1,911

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

12. (DEFICIT) / SURPLUS FOR THE PERIOD

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
(Deficit) / Surplus for the period has been arrived at after charging:		
Depreciation	3,436	3,403
Amortisation of intangible assets	147	145
Auditors' remuneration	92	91
Interest payable on loans from banks	35	99
Capital development fund interest and expenses	739	602
Horse Racing Ireland Board Members' fees	168	168
and after crediting:		
Interest receivable on deposits	1,550	1,529
Interest receivable on loans	219	62
Profit on disposal of fixed assets	7,198	26

The remuneration package of the Chief Executive of Horse Racing Ireland for the period ended 31st December 2007 is as follows:

	€'000	€'000
Basic Salary	163	154
Pension Contributions and other Taxable Benefits	51	49
Performance Related Remuneration	41	39
	255	242
Employers' PRSI on the above	20	20

Horse Racing Ireland Administration costs comprise the following:

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Running costs of departments- Pay and Non- Pay	3,955	4,777
Building Running Costs	836	741
	4,791	5,518

13. RACECOURSE SCHEMES AND CAPITAL GRANTS

A) RACECOURSE SCHEMES

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Health and Safety Grants	704	477
Winter Racing	125	140
Sponsorship Incentive Scheme	393	291
Levy and Pitch Fee Payments to Racecourses	2,135	1,820
Tote Percentage Betting Payments	517	479
	3,874	3,207

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

B) CAPITAL GRANTS

	Year Ended 31/12/07 €'000	Year Ended 31/12/06 €'000
Capital Development Grants	17,658	4,830

The Board of Horse Racing Ireland established a new capital development scheme in 2003. Under this scheme Horse Racing Ireland provides up to a maximum of 55% funding with the balance being funded by the racecourses. From 2004 these grants are charged directly to the Income and Expenditure account.

In addition to amounts of €17.658m paid to third party racecourses amounts of €2.55m were paid to Racecourses within HRI Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

14. TANGIBLE ASSETS

GROUP

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	Total €'000
Cost			
At 1 January 2007	98,525	19,359	117,884
Additions	12,125	2,485	14,610
Disposals	(141)	(69)	(210)
Transfers out of Fixed Assets	(6,488)	5,348	(1,140)
Transfers	(1,245)	1,245	-
At 31 December 2007	102,776	28,368	131,144
Aggregate depreciation			
At 1 January 2007	9,217	13,525	22,742
Charge for period	1,204	2,232	3,436
Disposals	-	(28)	(28)
At 31 December 2007	10,421	15,729	26,150
Net book value			
At 31 December 2007	92,355	12,639	104,994
At 31 December 2006	89,308	5,834	95,142

HORSE RACING IRELAND

	Land and Buildings €'000	Plant, Equipment & Vehicles €'000	Total €'000
Cost			
At 1 January 2007	27,294	2,412	29,706
Additions	9,241	1,405	10,646
Disposals	(141)	(69)	(210)
At 31 December 2007	36,394	3,748	40,142
Aggregate depreciation			
At 1 January 2007	542	1,282	1,824
Charge for period	32	360	392
Disposals	-	(28)	(28)
At 31 December 2007	574	1,614	2,188
Net book value			
At 31 December 2007	35,820	2,134	37,954
At 31 December 2006	26,752	1,130	27,882

The transfer out of fixed assets related to prior years work in progress costs on developments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

15. INTANGIBLE ASSETS

GROUP

Capital development grants paid

	31/12/07 €'000	31/12/06 €'000
Paid to 1 January	45,723	45,723
Payments during the period	54	-
Paid to 31 December	45,777	45,723

Amortisation of grants paid

Balance at 1 January	45,533	45,388
Charge for the period	147	145
Balance at 31 December	45,680	45,533

Net book value

97	190
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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 funding 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. €97,000 2007; €190,000 2006) 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, amortised over a five year period.

16. FINANCIAL ASSETS

GROUP

	31/12/07 €'000	31/12/06 €'000
Loans to racecourses	4,938	4,971
Investment in racecourse	1	1
4,939	4,972	

HORSE RACING IRELAND

Loans to subsidiaries	13,069	19,698
Investment in subsidiaries	51	51
Loans to racecourses	4,938	4,972
Investment in racecourse	1	1
18,059	24,722	

Details of the principal subsidiaries of Horse Racing Ireland and their activities are set out in note 32.

Included in loans to racecourses is the amount advanced to the Punchestown Companies and a new long term agreement between HRI and the Punchestown Companies was concluded in June 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

17. GOODWILL

	31/12/07 €'000	31/12/06 €'000
GROUP		
Goodwill arising on Acquisitions	(11,873)	(12,310)
Goodwill attributable to non-monetary depreciable assets Amortised to Profit and Loss account in period	(8,463)	(8,463)
Goodwill at 31 December	(11,436)	(11,873)

18. DEBTORS

Amounts falling due within one year:

	31/12/07 €'000	31/12/06 €'000
GROUP		
Trade debtors	7,035	5,960
Prepayments and accrued income	3,928	2,665
	10,963	8,625
HORSE RACING IRELAND		
Trade debtors	2,818	2,295
Prepayments and accrued income	2,215	1,124
Amounts due from group companies	10,984	5,049
	16,017	8,468

19. CASH AT BANK

	31/12/07 €'000	31/12/06 €'000
GROUP		
Horse Racing Ireland	29,824	37,459
HRI Racecourses	1,979	2,226
Tote Ireland	5,094	5,157
Irish Thoroughbred Marketing	254	213
	37,151	45,055
HORSE RACING IRELAND	29,824	37,459

The cash balance in Horse Racing Ireland relates primarily to net funds for stakes won but not drawn down at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

20. CREDITORS

Amounts falling due within one year:

GROUP

	31/12/07 €'000	31/12/06 €'000
Accruals	8,019	7,366
Deferred payment on asset acquisition	30	486
Bank loan (Note 22)	4,222	2,474
Trade creditors	4,498	6,017
Prize money due to racing clients	24,911	22,347
Deferred Income	950	-
Guaranteed value races prize fund	180	180
Taxation creditors	459	379
	43,269	39,249

HORSE RACING IRELAND

Accruals	4,507	3,934
Amounts owed to group companies	36	-
Bank loan (Note 22)	3,143	1,587
Trade creditors	1,726	1,303
Prize money due to racing clients	24,911	22,347
Guaranteed value races prize fund	180	180
Taxation creditors	303	258
	34,806	29,609

There was no movement in the Guaranteed Value Races Fund during the period.

ANALYSIS OF TAXATION CREDITORS

GROUP

	31/12/07 €'000	31/12/06 €'000
PAYE	206	212
PRSI	133	136
Other taxes	120	31
	459	379

HORSE RACING IRELAND

PAYE	157	152
PRSI	90	80
Other taxes	56	26
	303	258

21. CREDITORS

Amounts falling due after more than one year:

GROUP

	31/12/07 €'000	31/12/06 €'000
Bank loan (Note 22)	8,921	7,855
Deferred Income	2,104	856
	11,025	8,711

HORSE RACING IRELAND

Bank loan (Note 22)	8,921	7,663
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

22. BANK LOANS

	31/12/07 €'000	31/12/06 €'000
GROUP		
Repayable within 1 year	4,222	2,474
Repayable within 2 to 5 years	8,921	7,855
	13,143	10,329
HORSE RACING IRELAND		
Repayable within 1 year	3,143	1,587
Repayable within 2 to 5 years	8,921	7,663
	12,064	9,250

There is a negative covenant for €1.1 million (2006: €1.1m) in favour of the group bankers pledged against the assets of The Leopardstown Club Limited of a similar value.

23. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation €'000	Other Provision €'000	Total €'000
GROUP			
At 1 January	-	-	-
Charge to the profit and loss account	211	1,000	1,211
At 31 December 2007	211	1,000	1,211

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

24. DEFERRED CAPITAL GRANT

	31/12/07 €'000	31/12/06 €'000
GROUP		
Paid to 1 January	768	1,085
Amortised during the period	(317)	(317)
Balance at 31 December	451	768

The state 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.

25. ESTABLISHMENT RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

26. MOVEMENT ON OTHER RESERVES

	Establishment Reserve	Reserve for Future Development	Revaluation Reserve	Pension Obligations	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000
GROUP					
Opening balance at 1 January 2007	17,109	48,914	6,984	(3,124)	69,883
Transfer to Income and Expenditure	-	(5,149)	-	-	(5,149)
Disposal of Land	-	-	(108)	-	(108)
Actuarial Loss	-	-	-	(824)	(824)
Write off of Subsidiary	84	-	-	-	84
Closing balance at 31 December 2007	17,193	43,765	6,876	(3,948)	63,886

	Establishment Reserve	Reserve for Future Development	Revaluation Reserve	Pension Obligations	Total Establishment and Other Reserves
	€'000	€'000	€'000	€'000	€'000
HORSE RACING IRELAND					
Opening balance at 1 January 2007	9,592	30,388	6,984	(3,124)	43,840
Transfer to Income and Expenditure	-	(5,149)	-	-	(5,149)
Disposal of Land	-	-	(108)	-	(108)
Actuarial Loss	-	-	-	(824)	(824)
Closing balance at 31 December 2007	9,592	25,239	6,876	(3,948)	37,759

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

27. PENSION COMMITMENTS

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

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

- a) On 1 December 1994, the Irish Horseracing Authority took over the operation of the Racing Board's Defined Benefit Pension Scheme for permanent staff. Since 18th December 2001, this scheme continued to operate under HRI until 30 April 2007. 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 until 30 April 2007. The first 4 months of 2007 are under the former pension schemes and the following 8 months are under the new HRI scheme.
- 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) Both of these schemes were closed schemes. The former Racing Board Scheme had 11 active participants and 51 inactive participants at 31 December 2007 (At 30 April 2007, this scheme had 11 active participants and 52 inactive participants). There were 32 employees of Horse Racing Ireland in the former Turf Club scheme. The Turf Club Scheme also covers 53 employees involved in Integrity Services.
- d) As at 1 May 2007, the two schemes merged into one scheme, encompassing all the above employees and the rest of the Turf Club employees totalling 167 members. All pension obligations from both the former Racing Board Scheme and the former Turf Club Scheme are now covered in the new merged scheme. This gave rise to a settlement loss for HRI during the year. This scheme also covers the employees involved in Integrity Services who are directly funded by HRI under the Irish Horseracing Authority Act 1994, Section 42 and employed by the Turf Club. Liabilities relating to other employees of the Turf Club and the Curragh Racecourse are excluded in calculating the net pension liability disclosed underneath.
- e) Total contributions in this scheme made for the period ended 31 December 2007 were €827,000. Future contributions will be made in accordance with advice from actuaries of the Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme 2007.
- f) The valuations used for FRS17 have been based on an actuarial Review carried out as at 1 May 2007.

The main financial assumptions for the full scheme used to calculate the retirement liabilities under FRS 17 as at 31st December 2007 were as follows:

Valuation Method	Projected Unit	
	2007	2006
Discount Rate	5.50%	4.75%
Inflation Rate	2.50%	2.25%
Salary increases	4.25%	4.00%
Pension increases	2.50%	2.50%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

27. 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 2007 were:

	Expected Return 2007	Expected Return 2006	Market Value at 31/12/07 €'000	Market Value at 31/12/06 €'000
Equities	7.25%	7.25%	21,476	22,662
Bonds / Cash	4.25%	3.75%	5,936	6,537
Property	6.25%	6.25%	2,416	2,287
			29,828	31,486
Present value of pension scheme liabilities			37,014	38,856
Net pension liability total scheme			7,186	7,370
Net deficit in pension scheme in relation to HRI and Turf Club funded employees of the Horse Racing Ireland and Racing Regulatory Body Superannuation Scheme			6,576	3,265

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

	31/12/07 €'000	31/12/06 €'000
Current Service Cost	452	257
Settlement Loss reflecting liability on transfers	3,251	-

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

	€'000	€'000
Interest on scheme liabilities	1,515	882
Expected return on scheme assets	(1,294)	(950)

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	(3,105)	1,060
Experience Gains and losses	(890)	(564)
Changes in Assumptions	3,171	(787)
Actuarial loss which is recognised in the STRGL	(824)	(291)

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

	€'000	€'000
Deficit at the beginning of the year	(3,265)	(3,464)
Current service cost	(452)	(257)
Contributions	827	679
Settlement Loss reflecting liability on transfers	(3,251)	-
Other finance (cost) / income	(221)	68
Actuarial loss	(824)	(291)
Total Deficit at end of year	(7,186)	(3,265)
Curragh Racecourse / Others deficit included in total deficit for the year	(610)	-
Deficit at the end of the year	(6,576)	(3,265)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

27. PENSION COMMITMENTS (CONTINUED)

Defined Contribution Scheme/PRSA

- Horse Racing Ireland operates a Defined Contribution Scheme for all employees not in the Defined Benefit Scheme, i.e. 103 employees.
- The pension costs for the period ended 31 December 2007 was €350,000. There were no prepaid costs at the end of the period.

28. MINORITY INTEREST

	31/12/07 €'000	31/12/06 €'000
Opening balance	1,571	1,355
Movement in the year	304	216
Closing balance	1,875	1,571

Navan Golf Club Plc has a nominal share capital of 1,000 Preference Shares at 6 cent each. There were 649 shares issued and fully paid as at 31 December 2007 and the share premium on these issued shares was €1,892,000. The balance represents negative minority interest of €26,000 in Tipperary Race Company Plc and Minority Interest in Fairyhouse Club Limited of €9,000.

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

	31/12/07 €'000	31/12/06 €'000
(Deficit) / Surplus for the year	(5,401)	5,127
Interest Receivable	(1,769)	(1,591)
Interest Payable	471	455
Depreciation charges	3,436	3,403
Profit on sale of tangible assets	(7,198)	(26)
Transfers out of Fixed Assets	1,140	-
Write off of Subsidiary	84	-
Amortisation of Capital Development Fund grants	147	145
Amortisation of Negative Goodwill	(437)	(437)
Increase in Debtors	(2,338)	(2,056)
Decrease in Financial Assets	-	784
Increase in Creditors	3,520	1,336
Increase in Provisions	1,211	-
Difference between pension charge and contributions	2,487	(490)
Amortisation of deferred capital grants	(317)	(317)
NET CASH (OUTFLOW) / INFLOW FROM OPERATIONS	(4,964)	6,333

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

29. (ii) RECONCILIATION OF MOVEMENT IN NET FUNDS

	31/12/07 €'000	31/12/06 €'000
Decrease in Cash in the Period	(7,904)	(15,080)
Bank Loans in the Period	(4,401)	-
Repayment of Bank loans	1,587	3,619
Change in Net Funds	(10,718)	(11,461)
Opening Net Funds	34,726	46,187
Closing Net Funds	24,008	34,726

29. (iii) ANALYSIS OF CHANGES IN NET FUNDS

	At 31/12/2006 €'000	Cash Flows €'000	At 31/12/2007 €'000
Cash at Bank	45,055	(7,904)	37,151
Debt due within 1 year	(2,474)	(1,748)	(4,222)
Debt due after 1 year	(7,855)	(1,066)	(8,921)
	34,726	(10,718)	24,008

30. TAXATION

The activities of Horse Racing Ireland, Irish Thoroughbred Marketing Limited and Tote Ireland Limited are exempt from corporation tax. The taxable credit arose from a tax credit in Fairyhouse Club Limited, Ballyhack Enterprises Limited and Raheen Developments Limited and a tax charge in Leopardstown Club Limited.

31. CAPITAL AND OTHER COMMITMENTS

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

	31/12/07 €'000	31/12/06 €'000
Commitments	8,998	33,737

32. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

33. PRINCIPAL SUBSIDIARIES

Direct Subsidiaries

	% Held	Principal Activities
Tote Ireland Limited	100	Operation of Totalisator at racemeetings, operation of a telebetting service and an internet service.
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 and ancillary activities
Navan Golf Club PLC	100	Operation of a golf course
Fairyhouse Club Limited	99.94	Holding of race meetings and ancillary activities
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 Ballymany, The Curragh, Co. Kildare.

PHOTOGRAPHY DETAILS

All racing photographs used in the HRI annual report 2007 are taken by Healy Racing Photography (HR), Peter Mooney (PM) or Caroline Norris (CN).

FRONT COVER

Extreme Left - Dylan Thomas (K. Fallon) powers past stable companion Duke Of Marmalade (J.A. Heffernan) to land the Tattersalls Millions Irish Champion Stakes at Leopardstown for the second successive year. (CN)

Second Left - Jim Bolger's New Approach (K.J. Manning) leads home Rio De La Plata (L. Dettori) to take the Bank Of Scotland (Ireland) National Stakes at the Curragh. (CN)

Second Right - Pat Smullen on board Little Eye celebrates the fact that he has just completed a four-timer on Tattersalls Millions Irish Champion Stakes Day at Leopardstown. (CN)

Extreme Right - Finsceal Beo (K.J. Manning) holds off the challenge of Dimenticata (C.D. Hayes) to land the Boylesports Irish 1000 Guineas at the Curragh. (CN)

Bottom Photo - The field passes the post in front of the magnificent Killanin Stand at the 2007 Galway Festival. (HR)

PAGE 2&3

The field file past the stands at the all new Dundalk Racing Stadium, the first all-weather track in Ireland which opened its doors in August 2007. (HR)

PAGE 4

A close finish on the all-weather surface at Dundalk with Rainbow Rising (P.J. Smullen - yellow colours) just getting the better of Benwilt Breeze (W.J. Supple) and Senor Benny (K. Fallon). (HR)

PAGE 5

Top Left - Butlers Cabin and jockey Anthony McCoy land in front over the final fence on their way to winning the Powers Whiskey Irish Grand National at Fairyhouse. (CN)

Middle - Several of our amateur jockeys watch the replay of a race on the big screen in the parade ring at Punchestown. (HR)

Top Right - Saoirse Abu (K.J. Manning) being led into the winners' enclosure by Michelle O'Coilleain from Ennistown Stud having won the Moyglare Stakes at the Curragh. (CN)

Bottom - President Mary McAleese presents the delighted owners of Sublimity Bill and Robbie Hennessy after their charge had won the 2007 Smurfit Kappa Champion Hurdle at the Cheltenham Festival. (CN)

PAGE 8

Yeats (K. Fallon - dark blue colours) gets up to beat stable companion Scorpion (J.A. Heffernan) in The Irish Field Irish St Leger at the Curragh. (CN)

PAGE 9

Top left - Youth and experience are pictured together as three time champion flat apprentice Chris Hayes and his father P.J. Hayes. (HR)

Middle - Jockey Conor O'Dwyer gives his mount, Hardy Eustace, a congratulatory pat after taking the AIG Europe Champion Hurdle at Leopardstown. (HR)

Top right - Tom Magnier, John Magnier, Michael Tabor, Aidan O'Brien and Derrick Smith watching a re-run of pretty polly stakes won by peeping fawn at The Curragh. (CN)

Bottom - Jockey Andrew McNamara and Beef Or Salmon are pictured following their last gasp success in the Hennessy Cognac Gold Cup at Leopardstown. (CN)

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Top Left - Saoirse Abu springs a 25/1 surprise in the Waterford Wedgwood Phoenix Sprint Stakes at the Curragh as she proves too strong for Henrythenavigator. (PM)

Middle - Yeats (M.J. Kinane on board) being led in by owners Diane Nagle and Sue Magnier after clinching his second successive Ascot Gold Cup at Royal Ascot. (CN)

Top Right - New Approach (K.J. Manning) is ponied down to the start by Metamorphosis before winning the Bank Of Ireland (Scotland) National Stakes at the Curragh. (PM)

Bottom - Jockey Kevin Manning holds his arms aloft after Finsceal Beo completed the Irish/English 1000 Guineas double with a hard fought success in the Boylesports Irish 1000 Guineas. Also pictured is owner Michael Ryan and Jim Bolger's travelling head lad, Ger Flynn. (CN)

PAGE 12

Bottom Left - The unique nature of the banks course at Punchestown on display as the field take a stone wall on their way round. (PM)

Second Left - Jockey Ruby Walsh weighs out before going out to do battle in another race. (CN)

Third Left - Ruby Walsh and Neptune Collonges on their way to victory in the Punchestown Guinness Gold Cup at the Punchestown Festival. (CN)

Bottom Right - Jockey Seamie Heffernan and connections of Soldier Of Fortune celebrate their charge's runaway success in the Budweiser Irish Derby. (CN)

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Top left - Jockey Davy Condon salutes the crowd after partnering 40/1 chance, Ebaziyan, to victory in the Anglo Irish Bank Supreme Novices Hurdle at the Cheltenham Festival. (CN)

Second Left - Philip, Nina and Paul Carberry are pictured before going out to do battle in the Powers Irish Whiskey Irish Grand National at Fairyhouse. (CN)

Second Right - Jockey Philip Carberry and trainer Tony Mullins celebrate the fine victory of Pedrobob in the Vincent O'Brien County Hurdle at the Cheltenham Festival with owner Barry Connell. (CN)

Right - Aintree Grand National hero, Silver Birch, with trainer Gordon Elliott, parade at the Curragh Racecourse just 24 hours after their famous success in the world's greatest steeplechase. (CN)

PAGE 15

The field pass the post in the early stages of a race at the Leopardstown Christmas Meeting. (PM)

PAGE 16

Tony McCoy guides Butler's Cabin over the final fence to win the Powers Whiskey Irish Grand National at Fairyhouse. Also pictured are the runner up, Nine De Sivola (G. Lee) and Church Island (Andrew J. McNamara), placed fourth. (PM)

PAGE 17

The eventual winner, Made in Taipan, takes the field before a packed stand in The O'Dwyers Stillorgan Orchard Maiden Hurdle at Leopardstown. (PM)

PAGE 18

Bottom Left - A jockey in action. (CN)

Second Left - the new Arklow stand at Navan Racecourse as seen from the parade ring. (HR)

Third Left - The eventual winner, Salford City ridden by Nina Carberry takes the last jump at Tipperary in October. (CN)

Right - The field circling round at the start at Tipperary before the race won by Wishwillow Lord. (CN)

PAGE 19

Runners on parade before the ACCBank Champion Hurdle at the Punchestown Festival which was eventually won by Silent Oscar (R.M. Power), trained by Harry Rogers. (PM)

PAGE 21

Bottom Left - Sublimity (Philip Carberry) powers up the hill to take the Smurfit Kappa Champion Hurdle at the Cheltenham Festival. (PM)

Second Left - Spring The Que and Philip Enright are clear on the run to the line in the Piersie Hurdle at Leopardstown. (PM)

Second Right - Alexander of Hales and Seamus Heffernan (centre) wins from Spanish Harlem (left) and Eysal (right) for trainer Aidan O'Brien. (HR)

Right - Daryl Jacob and The Listener are well clear over the last in the Hennessy Cognac Gold Cup at Leopardstown but were caught in the final strides by Beef Or Salmon. (CN)

Horse Racing Ireland, Ballymany, The Curragh, Co Kildare.

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