

BORD NA gCON
BOARD MEMBERS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

**BOARD MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2006**

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BORD NA gCON INFORMATION

Bord na gCon was established pursuant to the Greyhound Industry Act 1958.

MEMBERS OF THE BOARD

Dick O'Sullivan (appointed 22/05/06)
(Chairman 07/07/06)
Paschal Taggart (Chairman retired 16/06/06)
Cathal Curley (retired 22/05/06)
Daniel J. Reilly
Tony McKenna
Padraig Feeney
Frank O'Connell
John Hegarty (retired 22/05/06)
Seamus Mallon (appointed 22/05/06)
Teresa Wall (appointed 18/09/06)

CHIEF EXECUTIVE OFFICER

Aidan Tynan (ceased 26/01/06)
Adrian Neilan (appointed (10/01/07)

REGISTERED OFFICE

104 Henry Street
Limerick

SOLICITORS

Holmes O'Malley Sexton
Bishopsgate
Henry Street
Limerick

BANKERS

Allied Irish Bank Plc
Bank of Ireland Plc

AUDITOR

Comptroller and Auditor General
Dublin Castle
Dublin 2

STATEMENT ON INTERNAL FINANCIAL CONTROL

As Chairman and on behalf of the Board members of Bord na gCon, I acknowledge our responsibility to ensure that an effective system of internal financial controls is maintained and operated by the Board and its subsidiary companies.

The systems of internal financial control can only provide reasonable but not absolute assurance, that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely period.

In the light of the Dalton Report, the Board initiated a comprehensive review of control systems, including its governance arrangements. This statement records the key procedures put in place by the Board to ensure an effective system of internal financial control and corporate governance. The Board in consultation with the Department has initiated a number of improvements including the establishment of an independent control and appeals committee. The Board is aware that the Comptroller and Auditor General has signalled his intention to publish a special report in relation to certain activities of the Board. In due course the Board will consider that report and any further improvements that might be recommended in it.

Control Environment

The Board has taken steps and reviews their implementation so as to ensure an appropriate control environment is in place by:

- Clearly defining management responsibilities, authority and accountability. In accordance with the recommendations of the Dalton Report the Board intends to review its existing arrangements in 2007 with a view to drawing up guidelines on the respective roles of the Board and the executive management.
- Establishing formal procedures for monitoring activities and safeguarding assets of the business.
- Developing a culture of accountability across all levels of the organisation. The Board has approved and reviewed its code of conduct for Board Members and employees in 2006.
- The establishment of an Internal Audit function. The reporting arrangements of the Internal Auditor comply with the Framework Code of Best Practice as outlined in the code of practice for the Governance of State Bodies

Business Risks

The first process in ensuring an appropriate control environment is to clearly identify the business and control risks associated with each business segment. An updated risk assessment of the business operations was carried out in 2006, by the Internal Auditor in consultation with senior management. The Board recognises the need to ensure that risks are reviewed on an annual basis and considered the risk assessment in 2006. As part of this review the Board considered its processes for identifying and evaluating business risks to ensure that they:

- Identify the nature, extent and financial implication of risks facing the Board including the extent and categories which it regards as acceptable
- Assess the likelihood of identified risks occurring
- Assess the Board's ability to manage and mitigate the risks that do occur
- Assess the costs of operating particular controls relative to the benefit obtained.

On an ongoing basis, major business risks are matters of discussion at Board meetings; in particular the Board approves all borrowings and five year rolling cash flows.

STATEMENT OF INTERNAL FINANCIAL CONTROL (Continued)

The Board accepts that the system of internal financial control must be based, on a framework of regular management reporting, administration procedures including segregation of duties and a system of delegation and accountability including:

- A comprehensive annual budgeting and financial reporting system which is reviewed and approved by the Board
- Regular reviews by the Board of overall strategy, business and financial plans and variance against operating and capital budgets. In this regard the Board has considered its 5 year strategy and presented its 5 year Strategic Plan to the Department of Arts Sport & Tourism.

The Board has established an Internal Audit Committee and has delegated to it and senior management the function of monitoring the internal audit function. The Board accept that to operate effectively the Audit Committee should meet at least four times a year and this criterion has been met in 2006. It has also appointed Deloitte & Touche to provide advice to its Audit Committee and attend its quarterly meetings. The Board has an internal audit function which is mandated to operate in accordance with the requirements of the Code of Practice for the Governance of State Bodies. The work of the internal audit is informed by analysis of the risks to which the Board in exposed and annual internal audit plans are based on this analysis. The internal audit plans were approved by the Audit Committee in 2006.

The Board accepts that its monitoring and review of the effectiveness of the system of internal financial control must be informed by the work of the internal auditor, the Audit Committee which oversees the work of the internal auditor, the executive managers within the Board responsible for the development and maintenance of the financial control framework and addressing any comments made by the Comptroller and Auditor General in his management letters.

Annual Review of Controls

In 2006 the Board engaged external consultants to consider the effectiveness of the systems of internal financial control and a summary report was considered by the Board at is meeting of 8th August 2006. The finalised report was considered by the Audit Committee in December 2006 and the Audit Committee formally reported to the Board in respect of 2006 at the Board meeting of 28th June 2007.

Signed on behalf of the Board.

Dick O'Sullivan.
Chairman

BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The Board Members submit herewith their report and audited financial statements for the year ended 31 December 2006.

1. PRINCIPAL ACTIVITIES

The principal activities of the Group continue to be:

- Operation of a totalisator at race meetings;
- Operation of race-tracks together with complementary ancillary services.

Any surplus generated from the above activities is re-invested in the industry through contributions to prize-money and grants to various bodies involved in the greyhound racing and breeding industry.

There have been no significant changes in these activities during the year.

2. GROUP TRADING RESULTS FOR THE YEAR

	2006 €	2005 €
Turnover	<u>63,455,561</u>	<u>62,652,756</u>
Operating surplus before grants	2,183,641	1,816,122
Grants to private tracks	<u>(48,636)</u>	<u>(764,789)</u>
Surplus on ordinary activities	2,135,005	1,051,333
Gain on disposal of tangible fixed assets	12,946	2,364
Group interest payable	(274,788)	(243,025)
Taxation	(16,812)	(11,293)
Profit attributable to minority interests	(54,760)	(39,975)
Surplus for the year	<u>1,801,591</u>	<u>759,404</u>

3. SUBSIDIARIES

Information provided in respect of the subsidiary companies is set out in Note 15 of the financial statements.

In 2006 the Galway Agricultural and Show Society consented to the assignment of the lease from Bord na gCon to Galway Greyhound Stadium Ltd a subsidiary created for the purposes of running greyhound racing. In previous years the greyhound racing was run as a branch of Bord na gCon. In 2006 the assets and liabilities held by the branch were transferred to Galway Greyhound Race Co. Ltd.

BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

4. **MEMBERS OF THE BOARD**

The members who held office during the year are listed on page 2.

5. **STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES**

The Board Members are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Bord na gCon and of its profit or loss for that year. In preparing those financial statements, the Board Members 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 Bord na gCon 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 Board Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Bord na gCon and which 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 Bord na gCon and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. **HEALTH & SAFETY**

The well being of Bord na gCon employees is safeguarded through adherence to health and safety standards throughout all its locations. Board Members are cognisant of their responsibilities under the Safety, Health and Welfare at Work Act, 1989 and S.I. No. 44, Safety, Health and Welfare at Work Regulations, 1993, and have appointed a designated Safety Officer.

7. **AUDITOR**

The Comptroller and Auditor General continues to have responsibility for the audit of Bord na gCon in accordance with Section 5 of the Comptroller and Auditor General (Amendment) Act, 1993.

Approved by the Board on:

Dick O'Sullivan

Tony McKenna

DRAFT

BORD NA gCON

Group Accounts

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the Financial Statements of Bord na gCon for the year ended 31 December 2006 under the Horse and Greyhound Racing Act, 2001.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the group Profit and Loss Account, the Bord na gCon and group Balance Sheets, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes.

Respective Responsibilities of the Members of the Board and the Comptroller and Auditor General

The Board is responsible for preparing the financial statements in the form and manner provided under the Horse and Greyhound Racing Act, 2001, and for ensuring the regularity of transactions. The Board prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Board are set out in the Statement of the Board's 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 the Board's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Audit General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and 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 the Board'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.

Without qualifying my opinion, I draw attention to

- the Statement on Internal Financial Control which sets out the steps being taken by the Board to improve its governance arrangements,
- the fact that I am carrying out an examination of the arrangements for the procurement of capital works and services and related matters at Bord na gCon and within its group of companies.

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 Bord na gCon's and the group's affairs at 31 December 2006 and of the income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by Bord na gCon. The financial statements are in agreement with the books of account.

John Purcell
Comptroller and Auditor General

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €	2005 €
Turnover from racing facilities	2	63,455,561	62,652,756
Allocation from the Horse & Greyhound Racing Fund		14,012,000	13,670,000
		<u>77,467,561</u>	<u>76,322,756</u>
Operation and administration costs		(75,063,173)	(73,409,234)
Exceptional Item	26	(220,747)	(1,097,400)
		<u>2,183,641</u>	<u>1,816,122</u>
Operating Surplus before grants			
Grants to private tracks		(48,636)	(764,789)
		<u>2,135,005</u>	<u>1,051,333</u>
Operating Surplus on ordinary activities			
Gain on disposal of tangible fixed assets	4	12,946	2,364
		<u>2,147,951</u>	<u>1,053,697</u>
Surplus before interest on ordinary activities			
Group interest payable		(274,788)	(243,025)
		<u>1,873,163</u>	<u>810,672</u>
Surplus on ordinary activities before taxation			
Taxation	5	(16,812)	(11,293)
		<u>1,856,351</u>	<u>799,379</u>
Surplus on ordinary activities after taxation			
Surplus attributable to minority interests		(54,760)	(39,975)
		<u>1,801,591</u>	<u>759,404</u>
Surplus for year			
Transfer to Capital Reserve	13	(1,468,580)	(1,101,870)
		<u>333,011</u>	<u>(342,466)</u>
Retained Surplus/(Deficit) for year			
Opening Balance at 1 January		3,608,751	3,951,217
		<u>3,941,762</u>	<u>3,608,751</u>
Closing Balance at 31 December			

The surplus after taxation for the year dealt with in the financial statements of Bord na gCon is a surplus of €949,524 (2005: surplus of €976,977).

The notes (on pages 14 to 28) and the Detailed Group Profit and Loss Account (on page 29) form part of these financial statements.

Approved by the Board on:

Dick O'Sullivan

Tony McKenna

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2006 €	2005 €
Surplus for the financial year		<u>1,801,591</u>	<u>759,404</u>
Actual return less expected return on schemes assets		693,000	1,726,000
Experience Gains and (Losses)		(445,000)	277,000
Changes in Assumptions		<u>988,000</u>	<u>(91,000)</u>
Actuarial gain recognised in the pension scheme	17	<u>1,236,000</u>	<u>1,912,000</u>
Total Recognised Gains for the year		<u><u>3,037,591</u></u>	<u><u>2,671,404</u></u>

The notes (on pages 14 to 28) and the Detailed Group Profit and Loss Account (on page 29) form part of these financial statements.

Approved by the Board on:

Dick O’Sullivan

Tony McKenna

GROUP BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 €	2005 €
FIXED ASSETS			
Intangible assets	6	(45,169)	(60,227)
Tangible assets	7	57,052,556	56,952,806
Financial assets		5,951	5,951
		<u>57,013,338</u>	<u>56,898,530</u>
CURRENT ASSETS			
Stocks	9	164,807	150,881
Debtors	10	1,892,997	1,603,830
Cash at bank and on hand		1,374,245	1,135,976
		<u>3,432,049</u>	<u>2,890,687</u>
CREDITORS (Amounts falling due within one year)	11	(8,752,674)	(6,866,298)
		<u>(5,320,625)</u>	<u>(3,975,611)</u>
NET CURRENT LIABILITIES			
		51,692,713	52,922,919
CREDITORS (Amounts falling due after more than one year)	12	(10,118,753)	(11,424,388)
Net Pension Asset /(Liability)	17	35,000	(1,493,000)
		<u>41,608,960</u>	<u>40,005,531</u>
NET ASSETS			
FINANCED BY:			
Profit and Loss Account		3,941,762	3,608,751
Capital reserve	13	34,537,358	34,499,167
Other reserves	14	1,433,177	1,433,177
Pension reserve		(200,000)	(1,436,000)
		<u>39,712,297</u>	<u>38,105,095</u>
Capital and Reserves	22	39,712,297	38,105,095
Minority interests	16	1,896,663	1,900,436
		<u>41,608,960</u>	<u>40,005,531</u>

The notes (on pages 14 to 28) and the Detailed Group Profit and Loss Account (on page 29) form part of these financial statements.

Approved by the Board on:

Dick O'Sullivan

Tony McKenna

BORD Na gCON BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 €	2005 €
FIXED ASSETS			
Tangible assets	7	3,501,041	9,947,305
Financial assets	8	4,019,269	3,737,961
		<u>7,520,310</u>	<u>13,685,266</u>
CURRENT ASSETS			
Stocks	9	42,878	47,769
Debtors	10	695,225	523,575
Cash at bank and on hand		723,141	504,781
		<u>1,461,244</u>	<u>1,076,125</u>
CREDITORS (Amounts falling due within one year)	11	(8,387,977)	(6,583,576)
		<u>(8,387,977)</u>	<u>(6,583,576)</u>
NET CURRENT LIABILITIES		<u>(6,926,733)</u>	<u>(5,507,451)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		593,577	8,177,815
CREDITORS (Amounts falling due after more than one year)	12	(10,118,753)	(11,424,388)
		<u>(10,118,753)</u>	<u>(11,424,388)</u>
NET LIABILITIES		<u>(9,525,176)</u>	<u>(3,246,573)</u>
FINANCED BY:			
Profit and Loss Account		1,738,464	2,247,320
Capital Reserve	13	(12,533,378)	(6,763,631)
Other Reserves	14	1,269,738	1,269,738
		<u>(9,525,176)</u>	<u>(3,246,573)</u>

The notes (on pages 14 to 28) and the Detailed Group Profit and Loss Account (on page 29) form part of these financial statements.

Approved by the Board on:

Dick O'Sullivan

Tony McKenna

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €	2005 €
Net Cash outflow from operating activities	19	(10,467,428)	(9,859,853)
Returns on investments and servicing of finance			
Interest received		4,660	2,278
Interest paid		(274,788)	(243,025)
		<u>(270,128)</u>	<u>(240,747)</u>
Taxation		<u>(10,838)</u>	<u>(9,691)</u>
Capital expenditure & financial investment			
Payments to acquire tangible assets		(3,342,913)	(4,428,282)
Receipts from disposal of tangible assets		698,087	30,000
Grants paid to non-Bord na gCon tracks		(48,636)	(764,789)
		<u>(2,693,462)</u>	<u>(5,163,071)</u>
Acquisitions & disposals		<u>-</u>	<u>-</u>
Equity dividends paid		<u>(9,800)</u>	<u>(9,800)</u>
Net outflow before use of liquid resources & financing		(13,451,656)	(15,283,162)
Finance			
Allocation from Horse & Greyhound Racing Fund		14,012,000	13,670,000
Increase/(Decrease) in cash	20 & 21	<u>560,344</u>	<u>(1,613,162)</u>

The notes (on pages 14 to 28) and the Detailed Group Profit and Loss Account (on page 29) form part of these financial statements.

Approved by the Board on:

Dick O'Sullivan

Tony McKenna

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006**1. ACCOUNTING POLICIES****(a) Accounting convention**

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.

(b) Basis of consolidation

The group Financial Statements comprise the financial statements of Bord na gCon and its subsidiaries. The financial statements of the Board's associated company - Kilkenny Greyhound Racing Company Limited - are not dealt with in these financial statements as the amounts involved are not material. The accounting dates of the subsidiaries are coterminous with that of Bord na gCon.

(c) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation on the remaining fixed assets is calculated by equal annual instalments so as to provide for their cost over the period of their expected useful lives at the following annual rates:

Freehold land	Nil
Freehold and leasehold premises	2%
Totalisator buildings	10%
Totalisator equipment	20%
Track equipment, furniture and fittings etc.	10%
Leased tote equipment	10%
Computer equipment	20%
Motor vehicles	20%

(d) Leases**Finance leases**

Where an asset is acquired under a lease which entails taking substantially all the risks and rewards of ownership of the asset, the lease is treated as a finance lease.

Under a finance lease the capital element of the asset is included in tangible fixed assets and amortised over the life of the asset and the outstanding liability is included in creditors.

Rental payments are apportioned between the interest element which is charged to the Profit and Loss Account and the capital element which reduces the outstanding liability.

Operating leases

All other leases are operating leases and rentals payable under such leases are charged to the Profit and Loss Account in the year to which they relate.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents invoiced cost from suppliers.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

(f) **Deferred Taxation**

Provision for deferred taxation is made by the liability method in respect of material short term and other significant timing differences except to the extent that it is reasonably probable that such taxation will not become payable in the future.

(g) **Oireachtas Grants**

Oireachtas grants receivable are treated as revenue grants and credited to the Profit and Loss Account.

(h) **Capital Reserve**

The Capital Reserve represents retained surplus applied for the acquisition of assets including the development of Bord owned tracks. Releases are made from this reserve to the Profit and Loss Account in line with the depreciation and write-down of the grant-assisted assets.

Funding made available from the Horse & Greyhound Racing fund is considered by the Board to represent compensation to Bord na gCon for the reduction in the on-course bookmakers' levy, funding for prize money grants and funding for the development of the industry by way of capital grants. Where funding received from the fund exceeds the aggregate of levy compensation, prize money grants and capital grants to private tracks, the excess is regarded as a capital grant and transferred to the Capital Reserve. Where funding received is less than the aggregate, a transfer is made from the Capital Reserve to the Revenue Reserve.

(i) **Goodwill**

The cost of purchased goodwill is shown as an intangible fixed asset in the Balance Sheet in accordance with FRS10, accounting for goodwill and intangible assets. Negative goodwill is released to the Profit and Loss Account in the periods in which the non-monetary assets are recovered.

(j) **Pensions**

Bord na gCon has both a defined contribution (PRSA) and a defined benefit scheme.

Defined Contribution Scheme

Payments to the PRSA scheme are charged to the Income and Expenditure Account in the period to which they relate.

Defined Benefit Scheme

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.

The pension charge in the Income and Expenditure Account comprises the current service cost and past service cost. The difference between the expected return on scheme assets and the interest cost on the scheme liabilities is credited as other finance income.

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.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)**2. TURNOVER**

Turnover represents total turnover, revenue from race meetings and other ancillary activities including Bar & restaurant operations.

3. GROUP SURPLUS /(DEFICIT) BEFORE TAXATION

	2006		2005
	€		€
Group Surplus/(Deficit) before taxation has been arrived at after charging:			
Board Members' remuneration	87,091		34,531
Auditor's remuneration	79,031		67,204
Depreciation (Note 7)	2,608,546		2,491,701
Interest payable on loans and overdrafts	274,788		243,025
Termination payments (incl. legal costs)	874,620		-
Chief Executive Officer's remuneration:			
<i>- Date of cessation 26 January 2006</i>			
Basic salary	13,108	115,000	
Performance related bonus	-	-	
Superannuation costs	2,396	28,750	
Other remuneration	1,167	14,000	157,750
	<u>16,671</u>	<u>14,000</u>	
And after crediting:			
Amortisation of capital reserve (Note 13)	1,529,644		1,502,130
Interest receivable	4,660		2,276
	<u>4,660</u>		<u>2,276</u>

The termination payments figure represents the total cost of settlements, (including Legal Costs) to 2 former employees.

4. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

In 2006, Bord na gCon disposed of various assets which resulted in a net profit of €12,946.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)**5. TAXATION**

	2006	2005
	€	€
Corporation Tax Liability	(16,812)	(11,293)

The corporation tax charge for 2006 arises due to a provision for tax on profits of Mullingar Greyhound Stadium of €16,812.

No charge to corporation tax arises in the remainder of the group due to the availability of losses carried forward and capital gains tax rollover relief.

6. INTANGIBLE FIXED ASSETS – NEGATIVE GOODWILL

Group	2006	2005
	€	€
COST		
Cost at 1 January	(150,575)	(150,575)
Acquired during the year	-	-
At 31 December	<u>(150,575)</u>	<u>(150,575)</u>
AMORTISATION		
At 1 January	90,348	75,290
Released during the year	15,058	15,058
At 31 December	<u>105,406</u>	<u>90,348</u>
NET BOOK AMOUNT AT 31 DECEMBER	<u>(45,169)</u>	<u>(60,227)</u>

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

7. TANGIBLE FIXED ASSETS

Group	Freehold Land and Buildings €	Leasehold Buildings €	Totalisator Track and Other Equipment €	Leased Tote Equipment €	Motor Vehicles €	Total €
Cost:						
At 1 January 2006	24,468,623	35,035,535	14,194,338	108,210	359,118	74,165,824
Additions	879,632	728,077	1,707,204	-	28,000	3,342,913
Disposals	-	-	(15,790)	-	(92,889)	(108,679)
Adjustment	-	(636,016)	-	-	-	(636,016)
At 31 December 2006	<u>25,348,255</u>	<u>35,127,596</u>	<u>15,885,752</u>	<u>108,210</u>	<u>294,229</u>	<u>76,764,042</u>
Accumulated Depreciation:						
At 1 January 2006	2,646,076	5,113,559	9,212,269	108,210	132,904	17,213,018
Charge for year	451,880	679,644	1,405,804	-	71,218	2,608,546
Disposals	-	-	(10,919)	-	(48,635)	(59,554)
Adjustment	-	(50,524)	-	-	-	(50,524)
At 31 December 2006	<u>3,097,956</u>	<u>5,742,679</u>	<u>10,607,154</u>	<u>108,210</u>	<u>155,487</u>	<u>19,711,486</u>
Net Book Amount:						
At 31 December 2006	<u>22,250,299</u>	<u>29,384,917</u>	<u>5,278,598</u>	<u>-</u>	<u>138,742</u>	<u>57,052,556</u>
At 31 December 2005	<u>21,822,547</u>	<u>29,921,976</u>	<u>4,982,069</u>	<u>-</u>	<u>226,214</u>	<u>56,952,806</u>
Bord na gCon						
Cost:						
At 1 January 2006	487,412	8,771,299	8,013,236	12,154	347,180	17,631,281
Additions	-	-	1,233,853	-	28,000	1,261,853
Disposals	-	-	(3,629)	-	(92,889)	(96,518)
Transfer to Galway Ltd Co.	-	(6,905,278)	(407,558)	-	-	(7,312,836)
At 31 December 2006	<u>487,412</u>	<u>1,866,021</u>	<u>8,835,902</u>	<u>12,154</u>	<u>282,291</u>	<u>11,483,780</u>
Accumulated Depreciation:						
At 1 January 2006	105,901	1,380,599	6,057,194	12,154	128,128	7,683,976
Charge for year	9,480	33,712	832,479	-	68,830	944,501
Disposals	-	-	(756)	-	(48,635)	(49,391)
Transfer to Galway Ltd Co.	-	(433,038)	(163,309)	-	-	(596,347)
At 31 December 2006	<u>115,381</u>	<u>981,273</u>	<u>6,725,608</u>	<u>12,154</u>	<u>148,323</u>	<u>7,982,739</u>
Net Book Amount:						
At 31 December 2006	<u>372,031</u>	<u>884,748</u>	<u>2,110,294</u>	<u>-</u>	<u>133,968</u>	<u>3,501,041</u>
At 31 December 2005	<u>381,511</u>	<u>7,390,700</u>	<u>1,956,042</u>	<u>-</u>	<u>219,052</u>	<u>9,947,305</u>

The cost of fixed assets included above which have been fully depreciated at 31 December 2006 amounts to €6,954,156 (2005: €5,333,657) for the group, and to €5,369,196 (2005: €4,113,406) for Bord na gCon.

The assets of Dublin Greyhound & Sports Association Limited, Kingdom Greyhound Racing Company Limited and The Waterford Greyhound Race Company, 1953, Limited are being used as security for a €12.7M loan, provided by AIB Bank, to the group.

The Adjustment relates to VAT refunds received during 2006 on capital expenditure incurred in prior years.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

7. TANGIBLE FIXED ASSETS (continued)

Freehold Land and Buildings includes €703,620 in respect of an Asset under Development - No depreciation is charged on assets under development

8. FINANCIAL ASSETS

	2006	2005
	€	€
Bord na gCon		
Shares in subsidiaries at cost less amounts written off	244,452	244,452
Long term loans to subsidiaries	3,774,817	3,493,509
	<u>4,019,269</u>	<u>3,737,961</u>

Details of group's percentage of issued equity capital and nature of business of subsidiary companies are given in Note 15.

9. STOCKS

	2006	2005
	€	€
Group:		
Bar stocks	43,493	47,748
Totalisator and track equipment	75,421	63,567
Sundry expense stocks	45,893	39,566
	<u>164,807</u>	<u>150,881</u>
Bord na gCon:		
Totalisator and track equipment	35,927	40,937
Sundry expense stocks	6,951	6,832
	<u>42,878</u>	<u>47,769</u>

10. DEBTORS

	2006	2005
	€	€
Group:		
Trade debtors and prepayments	1,849,375	1,591,395
Other debtors	11,119	1,377
VAT recoverable	32,503	11,058
	<u>1,892,997</u>	<u>1,603,830</u>
Bord na gCon:		
Trade debtors and prepayments	584,744	464,974
VAT recoverable	-	11,058
Others debtors	133	133
Amounts due from subsidiary companies	110,348	47,410
	<u>695,225</u>	<u>523,575</u>

All amounts receivable from debtors are due within one year.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

11. CREDITORS (Amounts falling due within one year)

	2006	2005
	€	€
Group:		
Creditors and accruals	6,319,315	5,263,499
Bank advances	2,433,359	1,449,799
Defined benefit pension contributions	-	153,000
	<u>8,752,674</u>	<u>6,866,298</u>
Bord na gCon:		
Creditors and accruals	4,788,501	3,712,987
Amounts due to subsidiary companies	2,398,332	2,418,290
Bank advances	1,201,144	452,299
	<u>8,387,977</u>	<u>6,583,576</u>

The creditors and accruals figures include the following amounts:

Group:		
VAT	139,340	121,882
PAYE/PRSI	335,893	411,927
Bord na gCon:		
VAT	60,048	54,646
PAYE/PRSI	249,677	345,719

12. CREDITORS (Amounts falling due after more than one year)

	2006	2005
	€	€
Group:		
Bank borrowings	10,118,753	11,424,388
Bord na gCon:		
Bank borrowings	<u>10,118,753</u>	<u>11,424,388</u>

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

13. CAPITAL RESERVE

	Group		Bord na gCon	
	2006	2005	2006	2005
	€	€	€	€
Transfer from surplus				
- In previous years	55,879,107	54,777,237	55,879,107	54,777,237
- In current year	1,468,580	1,101,870	1,468,580	1,101,870
	<u>57,347,687</u>	<u>55,879,107</u>	<u>57,347,687</u>	<u>55,879,107</u>
Amounts written back				
- In previous years	(9,931,989)	(9,931,989)	-	-
- In current year	-	-	-	-
	<u>(9,931,989)</u>	<u>(9,931,989)</u>	<u>-</u>	<u>-</u>
Grants to Board owned tracks				
- In previous years	(1,933,867)	(1,930,905)	(60,456,879)	(57,590,236)
- In current year	-	(2,962)	(574,081)	(2,866,643)
- Transfer to Galway Ltd Co.	-	-	(7,238,371)	-
	<u>(1,933,867)</u>	<u>(1,933,867)</u>	<u>(68,269,331)</u>	<u>(60,456,879)</u>
Amortisation to Profit and Loss Account				
-In previous years	(9,808,487)	(8,357,849)	(2,185,859)	(2,008,430)
-In current year	(1,529,644)	(1,502,130)	(1,270)	(177,429)
-Attributable to minority interest	48,731	51,492	-	-
-Transfer to Galway Ltd Co.	-	-	575,395	-
	<u>(11,289,400)</u>	<u>(9,808,487)</u>	<u>(1,611,734)</u>	<u>(2,185,859)</u>
Amortisation of amounts written back				
- In previous years	294,403	294,403	-	-
- In current year	50,524	-	-	-
	<u>344,927</u>	<u>294,403</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>34,537,358</u>	<u>34,499,167</u>	<u>(12,533,378)</u>	<u>(6,763,631)</u>

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

14. OTHER RESERVES

	2006	2005
	€	€
Group:		
General reserve	1,269,738	1,269,738
Other reserve	163,439	163,439
Total	1,433,177	1,433,177
Bord na gCon:		
General reserve	1,269,738	1,269,738
Other reserve	-	-
Total	1,269,738	1,269,738

The other reserve represents amenity grants received by subsidiary companies.

15. SUBSIDIARIES

	Percentage of equity Held by Bord na gCon 2006 and 2005
Shelbourne Greyhound Stadium Limited	100%
Dublin Greyhound and Sports Association Limited	100%
Cork Greyhound Race Company Limited	100%
The Kingdom Greyhound Racing Company Limited	100%
Waterford Greyhound Race Company (1953) Limited	100%
Youghal Greyhound Race Company Limited	98.8%
Limerick Greyhound Racing Track Limited	100%
Mullingar Greyhound Racing Company Limited (see Note 16)	51%
Abargrove Limited	100%
Clonmel Greyhound Racing Company Limited	100%
Galway Greyhound Stadium Limit	100%
Each subsidiary is involved in the Greyhound Industry.	

All subsidiary companies are incorporated in the Republic of Ireland.

16. MINORITY INTERESTS

The minority interest arose on the 51% acquisition of Mullingar Greyhound Racing Company Limited on 1st September 1999.

Negative goodwill of €150,575 arose on acquisition. To 31st December, 2006 €105,406 has been released to the Profit and Loss Account with the remainder being shown on the face of the Balance Sheet as an intangible asset (see Note 6). All other minority interests are not shown separately as the amounts involved are insignificant.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

17. PENSIONS

The Group operates both a Defined Contribution (PRSA) and a Defined Benefits Scheme.

Defined Contribution Scheme

In respect of the PRSA Scheme the Board's contribution in 2006 amounted to €35,045 (2005: € 7,713). No amounts were outstanding or prepaid at the year end.

Defined Benefits Scheme

The Scheme is now closed to new entrants. A full actuarial valuation was carried out on 1st January 2005 and updated to 31st December 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	As at 31/12/2006	As at 31/12/2005
	%	%
Rate of increase in salaries	3.75	3.75
Rate of increase in pensions payment	2.25	2.25
Rates of increase of pensions in deferment	2.25	2.25
Discount rate	4.60	4.00
Inflation assumption	2.25	2.25

The assets in the scheme and the rate of return were:

	Assets As at 31/12/2006 €'000	Expected Return 2006 %	Assets As at 31/12/2005 €'000	Expected Return 2005 %
Equities	10,945	7.5	9,415	6.6
Fixed Interest	2,195	3.9	1,998	3.4
Property	1,192	6.5	1,013	5.6
Cash	45		438	2.4
Other (insured assets)	1,106	4.3	820	4.6
Total Market value of assets	<u>15,483</u>		<u>13,684</u>	
Present value of scheme liabilities	(15,448)		(15,330)	
Surplus/(Deficit) in the scheme	<u>35</u>		<u>(1,646)</u>	
Related deferred tax liability	-		-	
Net Pension Asset/(Liability)*	<u><u>35</u></u>		<u><u>(1,646)</u></u>	

* At 31st December 2005 the Board had an outstanding contribution of €153,000. This amount is included in creditors (due within 1 year). The remainder of the Board's pension liability (€1,493,000) is shown separately on the Balance Sheet.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

17. PENSIONS (Continued)

	2006	2005
	€000's	€000's
Analysis of the amount charged to operating profit as follows:		
Current service cost	476	552
Past service cost	-	-
	<u>476</u>	<u>552</u>

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

Interest on scheme liabilities	(614)	(667)
Expected return on scheme assets	803	726
	<u>189</u>	<u>59</u>

Analysis of the amount recognised in the statement of total recognised gains and losses is as follows :

Actual return less expected return on scheme assets	693	1,726
Experience gains and losses	(445)	277
Changes in assumptions	988	(91)
	<u>1,236</u>	<u>1,912</u>

Analysis of the movement in surplus during the year as follows :

Deficit at beginning of year	(1,493)	(3,364)
Current service cost	(476)	(552)
Contributions	579	452
Past service costs	-	-
Other finance income	189	59
Actuarial gain/(Loss)	1,236	1,912
	<u>35</u>	<u>(1,493)</u>

History of Experience gains and losses :

	2006		2005		2004	
	€'000	%	€'000	%	€'000	%
Difference between expected and actual return on scheme assets	693	4.5	1,726	12.6	81	0.7
Experience gains and losses of scheme liabilities	445	3.0	277	1.8	(381)	(2.6)
Total amount recognised in the STRGL	1,236	8.0	1,912	12.5	(1,942)	(13.1)

Bord na gCon – FRS 17:

FRS 17 has not been implemented in the financial statements of the parent company as it is not possible to identify its share of the Group pension liability.

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

18. EMPLOYEES REMUNERATION

The average numbers of persons employed by the group in the financial year was 669 (2005: 649) and is analysed into the following categories:-

Group:	Note	2006	2005
Senior Management		6	6
Middle Management		36	36
Executive Officers/Clerical		52	52
Field Staff		31	38
Control stewards		5	3
Other		7	6
		<u>137</u>	<u>141</u>
Part time staff - track		532	508
		<u>669</u>	<u>649</u>

The staff costs are comprised of:

		€	€
Wages, salaries and expenses		9,227,208	8,470,907
Employer's social insurance costs		782,057	744,757
Employer's Contribution to PRSA scheme		35,045	7,713
Defined Benefit Scheme -			
Current Service Cost	17	476,000	552,000
Past Service Cost		-	-
		<u>10,520,310</u>	<u>9,775,377</u>

The average numbers of persons employed by Bord na gCon in the financial year was 463 (2005: 471) and is analysed into the following categories:-

Bord na gCon:	2006	2005
Senior Management	5	5
Middle Management	16	16
Executive Officers/Clerical	23	22
Field Staff	18	21
Other	3	2
	<u>65</u>	<u>66</u>
Part time staff - track	398	405
	<u>463</u>	<u>471</u>

The staff costs are comprised of:

	€	€
Wages, salaries and expenses	5,517,040	5,410,550
Employer's social insurance costs	445,691	463,917
Employer's pension and benefits costs *	453,088	316,597
	<u>6,415,819</u>	<u>6,191,064</u>

*This amount represents the parent company's contribution to the schemes as distinct from the current service cost which cannot be identified separately from the group cost (see Note 17).

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006	2005
	€	€
Surplus before taxation	1,873,163	810,672
Interest payable	274,788	243,025
Interest receivable	(4,660)	(2,278)
Operating Surplus	<u>2,143,291</u>	<u>1,051,419</u>
(Profit)/Loss on disposal of fixed assets	(12,946)	(2,364)
Allocation from Horse & Greyhound Racing Fund	(14,012,000)	(13,670,000)
Grants to private tracks	48,636	764,789
Decrease in intangible assets	(15,058)	(15,058)
Depreciation	2,608,546	2,491,701
Amortisation of capital reserve	(1,529,644)	(1,502,130)
(Increase)/Decrease in stocks	(13,926)	8,861
(Increase) in debtors	(289,167)	(364,521)
Increase/(Decrease) in creditors and provisions	896,840	1,336,450
Net Pension	(292,000)	41,000
Net cash outflow from operating activities	<u><u>(10,467,428)</u></u>	<u><u>(9,859,853)</u></u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended
	31 December
	2006
	€
Increase/(Decrease) in cash	1,543,904
(Increase)/Decrease in debt	<u>(983,560)</u>
Net Movement	560,344
Opening net funds	(11,738,211)
Closing net funds	<u><u>(11,177,867)</u></u>

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

21. ANALYSIS OF NET DEBT

	Opening Balance	Cashflow	Closing Balance
	€	€	€
Cash	1,135,976	238,269	1,374,245
Overdrafts	(1,449,799)	(983,560)	(2,433,359)
Bank loan	(11,424,388)	1,305,635	(10,118,753)
	<u>(11,738,211)</u>	<u>560,344</u>	<u>(11,177,867)</u>

22. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Profit & Loss Account	Capital Reserve	General Reserve	Pension Reserve	Total
	€'000	€'000	€'000	€'000	€'000
Opening Balance at 1 Jan	3,609	34,499	1,433	(1,436)	38,105
Movement in Capital reserve (Note 13)	-	38	-	-	38
Surplus for year attributable to Group	333	-	-	-	333
Actuarial Gain	-	-	-	1,236	1,236
Closing Balance at 31 December	<u>3,942</u>	<u>34,537</u>	<u>1,433</u>	<u>(200)</u>	<u>39,712</u>

23. BOARD MEMBERS' INTERESTS

In the normal course of business Bord na gCon and its subsidiaries may enter into contractual arrangements with undertakings in which Board Members are employed or otherwise interested. The Board adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Board Members and these procedures have been adhered to by the Board during the year. During the year goods to the value of €9,577 were purchased by group companies from a company with which a Board Member is associated. This contract was awarded, following a tendering process, before the person concerned became a Board Member.

24. COMMITMENTS & CONTINGENCIES

The Board has capital commitments for 2007 for the development of I.T. software of €167,000 and a Stadium Grants of €2.8million.

A contingent liability exists pertaining to the asset under development (note 7). The asset relates to design fees incurred in respect of the development of a new greyhound stadium and office block at a site at Meelick, Ennis Road. The local authority has refused to grant planning permission for the development and accordingly a doubt exists as to whether the development will proceed. Should a decision be made at a later date to abandon the planned development, that portion of the design fees specific to this site will require to be written off. The Board estimates that the amount involved would be approximately €300,000

NOTES ON THE GROUP FINANCIAL STATEMENTS 31 DECEMBER 2006 (Continued)

25. GOING CONCERN

The Horse and Greyhound Racing Act made provision for financing Bord na gCon in the medium term. In 2004, the Minister for Arts, Sport and Tourism, with the consent of the Minister for Finance, increased the limit of the total amount which can be paid into the Fund from monies provided by the Oireachtas from €254 million to €550 million, of which 20% is available to Bordna gCon. As the Directors are satisfied that the group is in a position to arrange its affairs and the necessary finance to enable the group to discharge its liabilities, the Directors consider that the going concern basis remains appropriate in preparing the financial statements.

26. EXCEPTIONAL ITEM

In 2003 Advance Totes Limited initiated judicial review proceedings in respect of the award of a totalisator tender. In the High Court Mr. Justice Murphy held that the principles of equal treatment and transparency were not breached and awarded 5 of the 6 days costs to the board. This decision was overturned on appeal to the Supreme Court on 23 March 2006. The Supreme Court also overturned the High Court decision on costs. Costs of €220,747 have been charged in respect of the final settlement in this case. Amounts of €1,097,400 and €91,000 had previously been charged in the 2005 and 2004 accounts respectively, thus bringing the total costs to €1.4m.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the directors on

DETAILED GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 €	2005 €
Turnover			
Tote Receipts		50,527,818	50,777,543
Bookmaker Income		864,612	865,008
Gate receipts and programme sales		5,687,521	4,696,814
Catering Income		3,001,565	3,070,915
Sponsorship		1,245,402	1,408,218
Entry Fees		890,856	945,113
Dog Sales Commission		67,020	68,915
Miscellaneous		981,767	761,230
Net return on Pension Scheme Assets		189,000	59,000
Turnover from racing facilities	2	<u>63,455,561</u>	<u>62,652,756</u>
Allocation from Horse & Greyhound Racing Fund		14,012,000	13,670,000
Expenses			
Tote Payout		(40,264,359)	(40,606,940)
Prizemoney – Board Tracks		(7,394,952)	(7,139,033)
Prizemoney – Private Tracks		(3,167,717)	(2,962,807)
Staff costs	18	(10,520,310)	(9,775,377)
Owners Incentive		-	(174,875)
Operating grants to private tracks		(452,218)	(339,600)
Tote equipment hire		(1,056,494)	(766,754)
Rent and Rates		(513,430)	(475,656)
Light & Heat		(499,028)	(446,375)
Depreciation		(2,608,546)	(2,491,701)
Grant Amortised		1,529,644	1,502,130
Repairs and renewals		(1,031,527)	(1,171,171)
Dog Sales costs		(28,249)	(9,679)
Other Track costs		(1,401,155)	(1,534,587)
Insurance		(205,518)	(203,581)
Contribution to Retired Greyhound Trust		(185,206)	(136,006)
Advertising		(2,245,660)	(2,760,949)
Travel, Promotion & Entertainment		(660,124)	(783,824)
Administration Costs		(3,383,671)	(2,348,409)
Exceptional Item		(220,747)	(1,097,400)
Intertrack Expenses		(582,234)	(527,391)
I.T. Database Costs		(392,419)	(256,649)
Operating and administration costs		<u>(75,283,920)</u>	<u>(74,506,634)</u>
Operating surplus before grants		2,183,641	1,816,122
Grants to private tracks		(48,636)	(764,789)
Profit/Loss on disposal of tangible assets	4	12,946	2,364
Group interest payable		(274,788)	(243,025)
Operating surplus before taxation		<u>1,873,163</u>	<u>810,672</u>