

A WORLD OF OPPORTUNITIES IN BLOODSTOCK INVESTMENT



The Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are government initiatives offering the most attractive tax breaks in the UK.

In order to qualify for the benefits you need to invest in the shares of a small, unlisted company, meaning not quoted on a major stock market, although it can list on smaller company markets such as AIM.

Investing in small companies is generally riskier than buying shares in large established companies hence the tax incentives to encourage the initial investment.

To benefit for the tax relief the shares must be held for 3 years and the company must remain compliant with the operational regulations associated with SEIS and EIS companies.

Even after this period market for trading the shares will be narrower than with many other investments unless listed on a small company market.

EIS & SEIS were introduced in 1994 and 2012 respectively, and have provided a mechanism to help offset the investment risks with generous tax incentives with potential returns many multiples of the amount you invest.

Investors can obtain Income Tax and Capital Gains Tax breaks for their investment. Qualifying individuals are able to invest up to £100,000 into qualifying SEIS companies and £1m into a EIS companies in a tax year.

INCOME TAX RELIEF

Investments with benefit from income tax relief equivalent to of 50% of the value of the investment in an SEIS and 30% in an EIS irrespective of the individuals tax rate.

INCOME TAX RELIEF

Relief in can be used in the current tax year or carried back to the preceding tax year assuming

there was a tax liability that year.

CAPITAL GAINS TAX (CGT)

Any gain on the sale of SEIS and EIS shares will be exempt from CGT as long as the shares obtained income tax relief, which has not been withdrawn, and are held for at least three years.

INHERITANCE TAX RELIEF

Shares, held for at least 2 years, receive 100% relief on their value.

REINVESTMENT RELIEF

There is also an additional exemption where assets are disposed of at a gain in that year and funds equal to the amount of the gain are invested in EIS or SEIS shares. Reinvestment relief is available at 50% of the matched gain where the proceeds are invested in SEIS shares.

LOSS RELIEF

Any losses can be offset against Income Tax of CGT liability.

INVESTMENT ILLUSTRATIONS



	<u>EIS</u>	<u>SEIS</u>
Initial Investment	£10,000	£10,000
Income Tax Relief	£3,000	£5,000
Net Cost	£7,000	£5,000

Future Value

	<u>EIS</u>	<u>SEIS</u>
If future value is	£20,000	£20,000
less:- Net Cost	£7,000	£5,000
Tax Free Gain	£13,000	£15,000

	<u>EIS</u>	<u>SEIS</u>
If future value is	£0	£0
Loss is	£10,000	£10,000
Loss net of Tax Credit	£7,000	£5,000
Tax Credit @ 45%	£3,150	£2,250
Loss after Tax Credits	£3,850	£2,750

	<u>EIS</u>	<u>SEIS</u>
Other Capital Gains	£30,000	£30,000
CGT Tax @ 28%	£8,400	£8,400
Reinvested in Year	£20,000	£20,000
CGT Tax Credit	£2,800	£2,800

	<u>EIS</u>	<u>SEIS</u>
Initial Investment	£10,000	£10,000
Income Tax Relief	£3,000	£5,000
IHT Tax Relief @ 40%	£4,000	£4,000
Net Cost	£3,000	£1,000

Income Tax Relief

Accrues at 30% or 50% irrespective of individual To obtain this the company issues an SEIS Certificate after the company has operated for 4 months.

Capital Tax Relief

Profits are not liable for Capital Gains Tax (CGT) as long as shares have been held for 3 years and the investment did not exceed £100,000

Loss Relief

Any losses realised on the sale of shares, after having held them for 3 years, attracts a tax credit at individuals highest marginal tax rate.

This can be applied to income tax liability in current or previous year OR CGT in current or future years.

Reinvestment Relief

Assume a £30,000 Capital Gain is made in the year that attracts V+CGT and £20,000 is invested in SEIS or EIS then that £20,000 attracts a credit of 50% of the tax due.

Inheritance Tax Relief

Any investment in EIS or SEIS is tax exempt on inheritance as long as held for 2 years. In this example the £10,000 investment passes to the beneficiary with no IHT liability.

Before any investment you must confirm the content of this brochure and your eligibility with a qualified Financial Advisor



QUALIFYING CRITERIA

Scheme Comparison

Company Criteria

	<i>EIS</i>	<i>SEIS</i>
Max no. of staff	250	50
Max. Assets Value	£15m	£200k
Minimum Age of Company	None	< 2 years

Personal Investment Criteria

Max. Annual Investment	£1m	£100k
Max Shareholding	30%	30%
Min. Duration of Investment	3 years	3 years
Income Tax Relief	30%	50%
Income Tax Carry Back	1 year	1 year
Capital Gains Tax	0%	0%
CGT Reinvestment Relief	No	50%
Capital Gain Tax Rate	0%	0%
Inheritance Tax	0%	0%
Loss Relief	100%	100%
Min Tax rate for total loss	38.50	13.5%

Cill Dara Bloodstock Limited gained approval from HMRC to issue shares under the SEIS & EIS scheme on 21st September 2016. The application was for the sole purpose of investment in the qualifying trade of trading in bloodstock.

UK HORSE RACING



Known as the “Sport of Kings” there is nothing quite like being an owner of a successful race horse and that desire has led to the recent increase in race horse ownership

Horse racing is the second largest UK spectator sport after football and is estimated to generate around £4 billion to the economy.

Horse race ownership had long been accessible to the wealthy and to have regular success at the highest level requires a significant level of investment.

Over thoroughbred ownership has increased significantly due to the explosion in syndicates.

Management companies offer the opportunity for anybody with a passion for horse racing to own anything from 1% of a horse with people they don't know for minimal costs from around £50 per month.

Recent successes for small syndicates have further enhanced demand with two recent examples.

Both were born in 2013 earned over £650,000 in prize money.

That alone is a dream worth chasing but with one having been bought for £32,000 and having been sold for £2.1m and the other for £6m the resale windfall is more lucrative

The public access to horse racing is growing with specific subscription TV channels in RacingUK, owned by the race courses and At The Races, part of the SKY broadcasting network as well as coverage on terrestrial TV

with ITV

Prize money in the UK for 2016 was over £137m, an increase of over 40% since 2012, spread over 10,000 races contested by over 14,000 horses running on average 5 times a year.

Of these 3,165 were 2 years olds, the youngest age that a horse is allowed to enter a race.

The extra ownership demand has widened the appeal and value of bloodstock.

Whilst the ownership and racing of thoroughbreds is growing it isn't an activity that qualifies for SEIS or EIS tax Incentives

THOROUGHBRED BREEDING



This leads us to look at the other side of racing, namely the breeding of a racehorse as it is an activity that qualifies for the tax incentives.

The breeding industry report undertaken in the last few years by PwC concludes that the breeding industry contributes some £300m to the rural UK economy with over £150m of annual foreign investment in Thoroughbreds

Britain has also always been a epicentre of thoroughbred racehorse breeding and the major auction house, Tattersalls, has been based in Newmarket since 1766 and had an annual turnover in 2017 of £330m against £265m in 2016, an increase of 24%, with over 60% being foals and yearlings.

This growth is repeated in other markets with Keenlands in the

USA achieving sales of \$997m for 2017 against \$908m for 2016, an increase of 10%, with over half the turnover in foals and yearlings.

Arqana in France recorded sales of €133.8m in 2017 against €127.7 in 2016, a more modest increase of 4.8%. The other major market is Goffs, in Ireland, whose 2017 was similar 2016 at €121m With the growing popularity in horse racing around the world the demand increases on the bloodstock industry to provide around 4,000 foals a year to be trained in the UK to become racehorses of the future.

Owners strive for the large prize money and greater involvement

in the “Sport of Kings”.

Racing is a hobby for those passionate about racing where most don’t expect any profit.

In 2016 the UK & Ireland breed 13,389 foals and the UK had over 14,000 thoroughbred race horses in training.

As home to the most respected bloodstock auction houses there is a great opportunity to build a successful bloodstock company supporting the owners quest for success.

Cill Dara Bloodstock is well positioned to take advantage of the continued growth in the market

THOROUGHBRED BREEDING



The most valuable asset in the Breeding cycle is that of a successful stallion. As an example the well known Frankel has a stud fee, the cost for the stallion to impregnate the mare, of £175,000 up from £125,000 in his first season as a stallion where he sired 126 foals. That equates to almost £16m of earnings in his first year.

His sire is the highest priced stallion of all, Galileo, who is believed to have a fee in excess of £350,000.

Success on the racecourse, by the Stallions foals, is the only way to protect the value of their investments.

This is best achieved by ensuring the foals pedigree gives the best chance of success.

There is, therefore a high demand

for quality female horses older than 4 to become broodmares, those used for mating.

The investment needed to own the stallion or good broodmares is significant and prohibitive for most investors.

Foal Development	
Jan - April	Foals Born
Nov - December	Foal Sales
January	Foals » Yearlings
October - December	Yearling Sales
January	Yearlings » 2 year olds
March onward	Racing careers start
Breeding	Fillies become mares at 4 years old and can be breed -becoming broodmares. Colts can be retired from racing at 3 to start breeding - he then stands as a stallion

As you will see from the table the investment cycle is around 10 month with the foals purchases in November and December to be re-sold in the September - October the following year.

As all thoroughbreds have a birthday on 1st January the ideal is too have foals born as early in the year as possible.

The foals born at the beginning of any one year are usually entered into sale in November and December of each year so are anything from 6-11 months old.

The buyer of the foal may look to keep the horse until they are eligible to race once the turn 2 years old or he may look to sell the horse as a yearling, i.e. when the horse is 18-23 months old.

The latter is the process called Pin-hooking and is the least labour or capital intensive way to access the revenue options and is therefore, the initial focus of the company.

BLOODSTOCK SALES - PIN HOOKING



The principle of pin-hooking sounds simple - buying a foal or yearling and sell it the following year at the sales for a profit in the interim.

The skill is in being able to envisage the physical development of the foal into a yearling coupled with a great knowledge of the racing side of the business where successful performances of the foals' relatives will enhance their value.

There are a handful of experts that successfully trade in this way as bloodstock can be fickle and what is fashionable when you buy may not be when you sell. Lots can happen both in geopolitics and on the racecourse to influence the fashion.

Choosing the right sale to buy and sell the horse can make a huge difference so you have to have your finger of the pulse of which market is buying what pedigrees.

Very few assets can change their value so quickly and the potential returns are high but that comes with risk so the key is to spread the risk over a number of foals.

The figures below show the results over the last 10 years for the biggest sales of both foals and yearlings.

The foal sales turnover, average sale price and numbers sold has shown little fluctuation but the turnover in Yearling sales from 2013 to 2017 has grown almost 50% largely due to an increase in

overseas buyers and enhanced by this years weak pound.

The figure does get exaggerated as the most expensive yearlings come from Studs that don't trade them as foals but it does show that the right foal bought at the right price and sold at the right sale can make a very good return.

BLOODSTOCK SALES - RECENT TRENDS

The UK, US and France hold the main auctions during the year as is show by the table. In addition to the costs of buying the horse you have to consider the other costs including horse transport, foreign exchange movements, keep, veterinary charges and insurance between sale.

You have to be confident of covering those costs before you make a profit.

Dates	Where	Foal	Yearling
January	Keenland (USA)	•	•
February	Arqana (France)	•	•
August	Arqana (France)		•
September	Keenland (USA)		•
	Goffs (ireland)		•
October	Arqana (France)		•
	Tattersalls (UK)		•
	Goffs (Ireland)	•	
	Tattersalls (UK)		•
November	Tattersalls (UK)	•	
December	Tattersalls (UK)	•	

10 YEAR TREND IN FOAL SALES AT TATTERSALLS.

Year	No. of Foals		Value in £'s		Year on Year change			
	Offered	Sold	Aggregates	Averages	Offered	Sold	Aggregate	Average
2016	957	743	30,568,350	41,142	-12.12%	-7.47%	-8.93%	-1.57%
2015	1,089	803	33,565,600	41,800	12.73%	3.08%	4.53%	1.40%
2014	966	779	32,110,900	41,221	2.44%	5.27%	2.20%	-2.92%
2013	943	740	31,420,400	42,460	10.42%	4.52%	30.20%	24.57%
2012	854	708	24,132,700	34,086	-2.84%	6.47%	1.14%	-5.00%
2011	879	665	23,860,100	35,880	17.36%	18.75%	36.41%	14.87%
2010	749	560	17,491,400	31,235	-5.55%	-9.39%	-13.49%	-4.53%
2009	793	618	20,218,700	32,716	-15.01%	9.96%	38.97%	26.38%
2008	933	562	14,549,100	25,888	-21.07%	-28.41%	-49.28%	-29.15%
2007	1,182	785	28,684,600	36,541	30.18%	5.23%	-0.61%	-5.55%

Tattersalls is the main sale and the best barometer of the market.

Recent foal sale prices has held the growth since the peak of 2013 coupled with an increase of those sold as a % of those offered for sale.

The conclusion is that the demand for the correct foals is increasing and the price is holding strong making for a strong market for trading with the correct approach and expertise.

10 YEAR TREND IN YEARLING SALES AT TATTERSALLS.

Year	No..of Foals		Value in £'s		Year on Year change			
	Offered	Sold	Aggregate	Average	Offered	Sold	Aggregate	Average
2017	1,781	1,435	158,151,450	110,210	9.87%	9.88%	19.17%	8.46%
2016	1,621	1,306	132,705,800	101,612	-14.59%	-14.97%	0.92%	18.69%
2015	1,898	1,536	131,494,400	85,608	12.71%	7.26%	1.94%	-4.96%
2014	1,684	1,432	128,993,850	90,080	6.11%	8.48%	18.34%	9.08%
2013	1,587	1,320	109,006,800	82,581	-5.54%	-6.05%	8.13%	15.09%
2012	1,680	1,405	100,811,100	71,752	11.70%	14.98%	27.96%	11.29%
2011	1,504	1,222	78,783,000	64,471	-23.15%	-13.82%	8.93%	26.40%
2010	1,957	1,418	72,327,100	51,006	11.57%	3.20%	-5.75%	-8.68%
2009	1,754	1,374	76,743,000	55,854	5.35%	15.46%	6.13%	-8.08%
2008	1,665	1,190	72,309,000	60,764	-6.51%	-11.85%	-23.50%	-13.22%
2007	1,781	1,350	94,526,900	70,020	-6.90%	-8.29%	12.71%	22.90%

BLOODSTOCK AGENT - JAMIE RAILTON



The secret to success in investments to ensure you have the odds in your favour. To that end it is essential your bloodstock agent is a proven expert with an excellent reputation and proven track record.

Jamie Railton, with over 20 years experience, will make the purchases and sales decision for the company as well as manager the development of the foal.

Whilst initially a jump jockey, during which time he rode more than 250 winners, his passion has always been in Flat racing and bloodstock. After several years successfully pin-hooking foals to sell as yearlings, and spending time in America on a few stud farms to further his knowledge, he set up Jamie Railton Bloodstock in 2000.

Since then Jamie has built up

a reputation as a meticulous and honest professional, with an intuitive knowledge of the bloodstock markets. Competitive by nature he is always looking to improve his service and ensure any bloodstock under his care reaches its optimum potential. The objective being to achieve maximum results for his clients, for whom he has acted as their sales consignor or investment partner for many years.

Jamie provides individuals high yield investment opportunities concentrating solely on quality bloodstock assets.

Jamie has also enjoyed considerable success as a

consignor which goes hand-in-hand with pin-hooking as the consignor acts as the sellers representative at the sales.

As with any high yield investments it is also high risk. However, we trust Jamie to give us an unbiased and clear focus on the markets, and are committed to achieving the best results for you and your investment.

An excellent horseman and competitive by nature, Jamie is meticulous in everything he does including superior feed management and personal hands-on involvement with any bloodstock under his care.

Foal to Yearling Pin-Hooking Results

Year (Foals)	Purchase Price	Keep Costs	Sale Price	Profit/Loss	Profit/Loss (%)
2016-17 (12)	£568,584	£120,000	£876,000	£187,416	32.96%
2015-16 (18)	£1,243,656	£180,000	£2,041,120	£617,464	49.65%
2014-15 (10)	£354,000	£100,000	£549,000	£95,000	26.84%
2013-14 (11)	£483,100	£110,000	£1,061,350	£468,250	96.93%



FOR FURTHER INFORMATION PLEASE CONTACT:-

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IT IS RECOMMENDED YOU TAKE INDEPENDENT ADVISE PRIOR TO MAKING ANY INVESTMENT