

**PGA EUROPEAN TOUR  
(A COMPANY LIMITED BY  
GUARANTEE)**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2003**



Company no: 1867610

**PGA EUROPEAN TOUR**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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Company registration number: 1867610

Registered office: Wentworth Drive  
Virginia Water  
Surrey  
GU25 4LX

Directors: K J Brown  
N C Coles MBE (Chairman)  
D Cooper  
A Gallardo (Vice chairman)  
T A Horton MBE  
M H James  
D Jones  
M Lanner  
R Lee  
J E O'Leary  
D J Russell  
O Sellberg

Secretary: M Bray

Bankers: Barclays Bank plc  
28 George Street  
Luton  
LU1 2AE

Solicitors: Harbottle and Lewis  
Hanover House  
14 Hanover Square  
London  
W1R 0BE

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants  
London Thames Valley Office  
Slough

**PGA EUROPEAN TOUR**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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# **PGA EUROPEAN TOUR**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with the consolidated financial statements for the year ended 31 December 2003.

### **Principal activities**

The group is principally engaged in the promotion, management and administration of the interests and affairs of tournament playing professional golfers.

### **Results**

The group loss for the year after taxation and equity minority interests amounted to £2,431,414 (2002: profit £1,669,674). The loss for the year has been transferred from reserves. The company's Articles prohibit the distribution of reserves to the members.

### **Overseas branch**

The group continued to trade from a branch in Spain.

### **Directors**

The directors in office during the year are listed below. All served on the Board throughout the year.

K J Brown (Alternate director for M H James)  
N C Coles MBE (Chairman)  
D Cooper  
A Gallardo (Vice chairman)  
T A Horton MBE  
M H James  
D Jones  
M Lanner  
R Lee  
J E O'Leary  
D J Russell  
O Sellberg

None of the directors held any interest in the company during the year.

In accordance with section 741(1) of the Companies Act 1985, Messrs K D Schofield CBE and G C O'Grady are deemed to be directors of the company.

**Directors' responsibilities for the financial statements**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Charitable and political donations**

Donations to charitable organisations amounted to £335,947 (2002: £237,889).

**Auditors**

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

*Martin Bray*

M Bray  
Secretary

*17 May 2004*

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

### **PGA EUROPEAN TOUR (A COMPANY LIMITED BY GUARANTEE)**

We have audited the financial statements of PGA European Tour for the year ended 31 December 2003 which comprise the principal accounting policies, consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement, statement of total recognised gains and losses and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities in the directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**

**PGA EUROPEAN TOUR  
(A COMPANY LIMITED BY GUARANTEE) (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true view of the state of the company's and group's affairs at 31 December 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH**

*17 May 2004*

**PRINCIPAL ACCOUNTING POLICIES**

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The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the group have remained unchanged from the previous year, and are set out below.

The directors have reviewed the accounting policies adopted by the group and consider them to be the most appropriate.

**Basis of consolidation**

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2003. All intra-group transactions are eliminated on consolidation.

Goodwill arising on the consolidation of European Open Golf Championship Limited, a joint venture, was capitalised (note 8) and has been previously amortised in full. Goodwill arising on the consolidation of European Tour Hospitality Limited has been capitalised and written off in the period.

**Associated undertakings**

An associated undertaking is defined as an undertaking, not being a subsidiary undertaking, in which the group has a substantial and long-term interest and over whose financial and operating policy decisions the group is in a position to exercise, and exercises, significant influence.

The group's share of the profits less losses of associated undertakings is included in the consolidated profit and loss account. The consolidated balance sheet includes the investment in associated undertakings at the group's share of net assets. The company balance sheet shows the investment in associated undertakings at cost.

**Joint ventures**

A joint venture is defined as an entity where the group holds an interest on a long-term basis and the entity is jointly controlled by the group and one or more venturers under a contractual agreement. Additionally, none of the investing entities alone can control that entity, but all together can do so. Decisions on financial and operating policies essential to the activities, economic performance and financial position of that venture require each venturer's consent.

The group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account. The consolidated balance sheet includes the investment in joint ventures at the group's share of net assets. The company balance sheet shows the investment in joint ventures at cost.

**Goodwill**

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net asset acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life. Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired.

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10 'Goodwill and Intangible Assets', was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.



**PRINCIPAL ACCOUNTING POLICIES**

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**Turnover**

Turnover is the total amount receivable by the group for services provided, excluding VAT and trade discounts.

**Intangible assets**

Tournament expenditure is written off in the year it is incurred, except where the directors are satisfied as to the commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit. This period is 2 years. Provision is made for any impairment.

Title rights are amortised over the period during which the group is expected to benefit. The period is 3 to 6 years. Provision is made for any impairment.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less any provisions for diminution in value.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful economic lives.

The rates generally applicable are:

Freehold buildings	2%
Motor vehicles	25%
Office & computer equipment	25 – 33.3%
Furniture & fittings	25 – 33.3%
Field equipment	15 – 25%
Building improvements	5%

**Investments**

Fixed asset investments are stated at cost less any provisions for permanent diminution in value.

**Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Balance sheets of overseas undertakings are translated at the rates of exchange ruling at the balance sheet date. Profit and loss accounts of overseas undertakings are translated at the average rates for the accounting period. Exchange differences arising from the retranslation of opening balance sheet amounts are dealt with through reserves. All other exchange differences are dealt with through the profit and loss account.

**PRINCIPAL ACCOUNTING POLICIES**

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**Contributions to pension funds**

The group operates a defined contribution pension scheme for the benefit of the employees.

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

PGA EUROPEAN TOUR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	£	2003 £	£	2002 £
<b>Turnover</b>	1				
Total		107,108,363		124,066,875	
Less: joint venture companies		<u>(23,163,609)</u>		<u>(41,812,406)</u>	
			83,944,754		82,254,469
Less: cost of sales			-		(3,188,475)
Administrative expenses			<u>(86,464,669)</u>		<u>(80,001,994)</u>
<b>Operating loss</b>			(2,519,915)		(936,000)
Share of profits less losses of joint ventures			(524,015)		3,277,393
Other interest receivable and similar income			94,947		259,187
Interest payable and similar charges	2		<u>(29,389)</u>		<u>(50,963)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	1		(2,978,372)		2,549,617
Tax on (loss)/profit on ordinary activities	4		518,746		132,076
Share of tax on (loss)/profit on ordinary activities of joint ventures	4	289,125		(220,840)	
Share of deferred tax of joint ventures	4	<u>(235,872)</u>		<u>(792,000)</u>	
			<u>53,253</u>		<u>(1,012,840)</u>
<b>(Loss)/profit on ordinary activities after taxation</b>			(2,406,373)		1,668,853
Equity minority interests	26		<u>(25,041)</u>		<u>821</u>
<b>Retained (loss)/profit for the year transferred (from)/to reserves</b>	14		<u>(2,431,414)</u>		<u>1,669,674</u>
<b>(Loss)/profit retained:</b>					
By the company			(1,832,375)		(332,997)
By subsidiary undertakings			71,723		88,118
By joint ventures			<u>(670,762)</u>		<u>1,914,553</u>
			<u>(2,431,414)</u>		<u>1,669,674</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

# PGA EUROPEAN TOUR

## CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2003

	Note	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Intangible assets	6		390,702		538,378
Tangible assets	7		3,202,521		2,489,308
Investments	8				
Joint ventures:					
Share of gross assets		7,113,661		10,248,492	
Share of gross liabilities		(8,222,217)		(10,686,286)	
		(1,108,556)		(437,794)	
Investments in associated undertakings		368,201		368,201	
			(740,355)		(69,593)
			2,852,868		2,958,093
<b>Current assets</b>					
Debtors	9	6,343,281		8,834,466	
Cash at bank and in hand		1,262,068		157,810	
		7,605,349		8,992,276	
<b>Debtors: amounts falling due after more than one year</b>	10	794,262		543,634	
<b>Creditors: amounts falling due within one year</b>	11	(7,539,707)		(6,309,346)	
<b>Net current assets</b>			859,904		3,226,564
<b>Total assets less current liabilities</b>			3,712,772		6,184,657
<b>Creditors: amounts falling due after more than one year</b>	12		(272,000)		(340,000)
			3,440,772		5,844,657
<b>Financed by:</b>					
Capital reserve	13		159,055		159,055
Profit and loss account	14		3,281,717		5,713,135
<b>Members' funds</b>			3,440,772		5,872,190
Minority interests	26		-		(27,533)
<b>Total members' funds excluding minority interests</b>	15		3,440,772		5,844,657

The financial statements were approved by the Board of Directors on 17 May 2004

Director

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

PGA EUROPEAN TOUR

COMPANY BALANCE SHEET

AT 31 DECEMBER 2003

	Note	£	2003 £	£	2002 £
<b>Fixed assets</b>					
Intangible assets	6		390,702		538,378
Tangible assets	7		3,201,835		2,488,068
Investments	8		<u>201,587</u>		<u>201,097</u>
			3,794,124		3,227,543
<b>Current assets</b>					
Debtors	9	6,587,715		8,885,800	
Cash at bank and in hand		<u>1,050,977</u>		<u>119,620</u>	
		7,638,692		9,005,420	
<b>Debtors: amounts falling due after more than one year</b>	10	794,262		543,634	
<b>Creditors: amounts falling due within one year</b>	11	<u>(11,297,890)</u>		<u>(9,947,034)</u>	
<b>Net current liabilities</b>			<u>(2,864,936)</u>		<u>(397,980)</u>
<b>Total assets less current liabilities</b>			929,188		2,829,563
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(272,000)</u>		<u>(340,000)</u>
			<u>657,188</u>		<u>2,489,563</u>
<b>Financed by:</b>					
Capital reserve	13		182,681		182,681
Profit and loss account	14		<u>474,507</u>		<u>2,306,882</u>
<b>Members funds</b>	15		<u>657,188</u>		<u>2,489,563</u>

The financial statements were approved by the Board of Directors on

17 May 2004

Director

Director

**PGA EUROPEAN TOUR**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	£	2003 £	£	2002 £
<b>Net cash inflow/(outflow) from operating activities</b>	16		2,498,760		(2,098,031)
<b>Returns on investments and servicing of finance</b>					
Interest received		94,947		259,187	
Interest paid		<u>(29,389)</u>		<u>(50,963)</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>			65,558		208,224
<b>Taxation</b>					
UK corporation tax paid			(268,268)		(149,185)
<b>Capital expenditure</b>					
Purchase of intangible fixed assets		-		(686,054)	
Purchase of tangible fixed assets		<u>(1,130,998)</u>		<u>(239,971)</u>	
Sale of tangible fixed assets		7,696		849,662	
<b>Net cash outflow from capital expenditure</b>			(1,123,302)		(76,363)
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertaking		(490)		-	
Purchase of joint venture		<u>-</u>		<u>(2)</u>	
<b>Net cash outflow from acquisitions and disposals</b>			<u>(490)</u>		<u>(2)</u>
<b>Net cash inflow/(outflow) before financing</b>			1,172,258		(2,115,357)
<b>Financing</b>					
Repayment of borrowings		(68,000)		(68,000)	
Issue of shares		<u>-</u>		<u>490</u>	
<b>Net cash outflow from financing</b>			<u>(68,000)</u>		<u>(67,510)</u>
<b>Increase/(decrease) in cash</b>	17		<u>1,104,258</u>		<u>(2,182,867)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

**PGA EUROPEAN TOUR**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

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	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>(Loss)/profit for the financial period</b>	<b>(2,431,414)</b>	<b>1,669,674</b>
Currency differences on foreign currency net investments	<u>(4)</u>	<u>49,457</u>
Total recognised gains and losses for the year	<b>(2,431,418)</b>	<b>1,719,131</b>
Prior year adjustment - deferred tax on joint venture	<u>-</u>	<u>792,000</u>
Total gains and losses recognised since last financial statements	<u><b>(2,431,418)</b></u>	<u><b>2,511,131</b></u>

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

**1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Turnover and (loss)/profit on ordinary activities before taxation, which are derived from continuing operations, are attributable to the promotion, management and administration of the interests and affairs of tournament playing professional golfers.

The analysis of turnover by geographical market has not been disclosed as the directors believe it would be seriously prejudicial to the interests of the business to disclose this information.

(Loss)/profit on ordinary activities is stated after charging/(crediting):

	2003 £	2002 £
Amortisation	150,658	422,675
Depreciation -- owned assets	410,687	350,464
Auditors' remuneration:		
- audit services	48,720	60,450
- non-audit services	38,202	76,893
Operating lease rentals:		
- other operating leases	308,476	346,736
Foreign exchange loss	48,693	83,399
Profit on sale of fixed assets	(598)	(481,109)

**2 INTEREST PAYABLE AND SIMILAR CHARGES**

	2003 £	2002 £
On bank loans, overdrafts, other loans and equivalents	29,389	50,963

**3 DIRECTORS AND EMPLOYEES**

Staff costs during the year, net of recharges to related undertakings, were as follows:

	2003 £	2002 £
Wages and salaries	5,117,145	4,738,200
Social security costs	569,034	518,574
Other pension costs	399,845	380,272
	6,086,024	5,637,046

The average number of administrative employees of the group during the year was 113 (2002: 117). In addition, the average number of retained staff of the group during the year was 18 (2002: 18).



# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Remuneration in respect of directors, including those deemed to be directors, was payable as follows:

	2003 £	2002 £
Management remuneration	630,227	630,855
Other pension costs	50,659	49,052
	<u>680,886</u>	<u>679,907</u>

The number of directors accruing benefits in the company pension scheme during the year was 3 (2002: 3).

The emoluments of the highest paid director, excluding pension contributions, were as follows:

	2003 £	2002 £
Management remuneration	<u>240,538</u>	<u>243,440</u>

#### 4 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the (loss)/profit for the year and is made up as follows:

	2003 £	2002 £
UK Corporation tax at 30% (2002: 30%)	5,989	-
UK Corporation tax in respect of prior years	67,454	(21,327)
Overseas taxation	2,247	186,441
Total current tax	<u>75,690</u>	<u>165,114</u>
Share of joint ventures' taxation	(289,125)	220,840
Share of joint ventures' deferred tax	235,872	792,000
Deferred tax	<u>(594,436)</u>	<u>(297,190)</u>
Tax on (loss)/profit on ordinary activities	<u>(571,999)</u>	<u>880,764</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained as follows:

	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation	(2,978,372)	2,549,617
Share of profits less losses of joint ventures	524,015	(3,277,393)
Loss on ordinary activities before taxation excluding joint ventures and associated undertakings	<u>(2,454,357)</u>	<u>(727,776)</u>
Multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(736,308)	(218,333)
Effect of:		
Expenses not deductible for tax purposes	162,524	2,156
Capital allowances in the period in excess of depreciation	4,066	24,570
General provision	(3,000)	3,000
Tax losses utilised in the period	593,370	(6,706)
Tax losses not utilised in the period	-	195,206
Group relief	-	3,782
Foreign tax	(5,142)	186,441
Other differences	(7,274)	(3,675)
Adjustment to tax charge in respect of prior periods	67,454	(21,327)
Total current tax	<u>75,690</u>	<u>165,114</u>

5 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year after taxation includes a loss of £1,832,375 (2002: £332,997), which is dealt with in the financial statements of the company.

6 INTANGIBLE FIXED ASSETS

	The company Title rights £	Title rights £	The group Goodwill £	Total £
Cost				
At 1 January 2003	686,054	686,054	-	686,054
Additions	-	-	2,982	2,982
At 31 December 2003	<u>686,054</u>	<u>686,054</u>	<u>2,982</u>	<u>689,036</u>
Amortisation				
At 1 January 2003	147,676	147,676	-	147,676
Charge for the year	147,676	147,676	2,982	150,658
At 31 December 2003	<u>295,352</u>	<u>295,352</u>	<u>2,982</u>	<u>298,334</u>
Net book amount at 31 December 2003	<u>390,702</u>	<u>390,702</u>	<u>-</u>	<u>390,702</u>
Net book amount at 31 December 2002	<u>538,378</u>	<u>538,378</u>	<u>-</u>	<u>538,378</u>

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

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### TANGIBLE FIXED ASSETS

The group	Total £	Motor vehicles £	Building improve- ments £	Office & computer equipment £	Furniture & fittings £	Field equipment £	Freehold land & buildings £
Cost							
At 1 January 2003	4,435,253	435,395	860,672	969,775	264,962	330,982	1,573,467
Additions	1,130,998	-	929,222	80,063	110,621	11,092	-
Disposals	(150,844)	(48,279)	-	(4,762)	(97,803)	-	-
At 31 December 2003	5,415,407	387,116	1,789,894	1,045,076	277,780	342,074	1,573,467
Depreciation							
At 1 January 2003	1,945,945	330,292	291,713	762,624	218,408	248,499	94,409
Provided in the year	410,687	39,217	59,536	140,474	25,487	25,898	120,075
Disposals	(143,746)	(44,006)	-	(4,762)	(94,978)	-	-
At 31 December 2003	2,212,886	325,503	351,249	898,336	148,917	274,397	214,484
Net book amount at 31 December 2003	3,202,521	61,613	1,438,645	146,740	128,863	67,677	1,358,983
Net book amount at 31 December 2002	2,489,308	105,103	568,959	207,151	46,554	82,483	1,479,058

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

The company	Total £	Motor vehicles £	Building improve- ments £	Office & computer equipment £	Furniture & fittings £	Field equipment £	Freehold land & buildings £
Cost							
At 1 January 2003	4,412,763	435,587	860,672	951,952	260,103	330,982	1,573,467
Additions	1,130,998	-	929,222	80,063	110,621	11,092	-
Disposals	(150,844)	(48,279)	-	(4,762)	(97,803)	-	-
At 31 December 2003	5,392,917	387,308	1,789,894	1,027,253	272,921	342,074	1,573,467
Depreciation							
At 1 January 2003	1,924,695	333,500	291,713	742,801	213,773	248,499	94,409
Provided in the year	410,133	38,663	59,536	140,474	25,487	25,898	120,075
Disposals	(143,746)	(44,006)	-	(4,762)	(94,978)	-	-
At 31 December 2003	2,191,082	328,157	351,249	878,513	144,282	274,397	214,484
Net book amount at 31 December 2003	3,201,835	59,151	1,438,645	148,740	128,639	67,677	1,358,983
Net book amount at 31 December 2002	2,488,068	102,087	568,959	209,151	46,330	82,483	1,479,058

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

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### FIXED ASSET INVESTMENTS

#### The company

	Total £	Shares in subsidiaries £	Shares in joint ventures £	Loans £
Cost				
At 1 January 2003	201,097	142,802	603	57,692
Additions	490	490	-	-
At 31 December 2003	<u>201,587</u>	<u>143,292</u>	<u>603</u>	<u>57,692</u>

#### The group

	Total £	Cost £	Share of post acquisition reserves £
<b>Joint ventures</b>			
At 1 January 2003	(437,794)	603	(438,397)
Share of profits less losses for the year	(470,762)	-	(470,762)
Dividend	(200,000)	-	(200,000)
At 31 December 2003	<u>(1,108,556)</u>	<u>603</u>	<u>(1,109,159)</u>

#### Associated undertakings

	Total £	Cost £	Share of post acquisition reserves £
At 1 January 2003 and 31 December 2003	<u>368,201</u>	<u>367,517</u>	<u>684</u>

#### Goodwill

Goodwill arose on the consolidation of European Open Golf Championship Limited as a joint venture as follows. All goodwill has been previously amortised in full.

	£
Cost	258,986
Provision	(258,986)
Share of net liabilities taken over	<u>930,042</u>
	<u>930,042</u>

In addition there was goodwill arising from the acquisition of European Tour Hospitality Limited during the year of £2,982. This has been fully written off in the year.

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

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### Subsidiary undertakings

At 31 December 2003 the group held investments in the following undertakings:

Company	Country of registration and operation	Class of share capital held	Proportion held by company	Nature of business
PGA European Tour Enterprises Limited	England and Wales	Ordinary	100%	Dormant
PGA European Tour South SA	Spain	Bearer	100%	The promotion of golf
PGA European Tour Properties Limited	England and Wales	Ordinary	100%	Investment and management of property
PGA European Tour Property Holdings Limited	England and Wales	Ordinary	100%	Dormant
European PGA Tour Limited	England and Wales	Ordinary	100%	Dormant
PGA European Tour International Limited	England and Wales	Ordinary	100%	Dormant
European Tour International Limited	England and Wales	Ordinary	100%	Dormant
European Tour Hospitality Limited	England and Wales	Ordinary	100%	The promotion of hospitality at golf events

The results of all the subsidiary undertakings have been consolidated in the group financial statements.

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

### Joint ventures

At 31 December 2003 the group had joint venture investments in the following undertakings:

Company	Country of registration and operation	Class of share capital held	Proportion held by company	Nature of business
PGA European Tour Productions Limited	England and Wales	Ordinary	50%	Television production and distribution of golf programmes
European Golf Design Limited	England and Wales	Ordinary	50%	Design of golf courses
Ryder Cup Limited	England and Wales	Ordinary	50%	The promotion of the Ryder Cup golf tournament
European Open Golf Championship Limited	England and Wales	Ordinary	50%	The promotion of the European Open Golf Championship tournament
Wentworth Senior Masters Limited	England and Wales	Ordinary	50%	The promotion of the Wentworth Senior Masters golf tournament
Scottish Seniors Open Limited	England and Wales	Ordinary	50%	The promotion of the Scottish Seniors Open golf tournament

### Associated undertakings

At 31 December 2003 the group had an investment in the following undertaking:

Company	Country of registration and operation	Class of share capital held	Proportion held by company	Nature of business
Golf de Caldas SA*	Spain	Ordinary	22.4%	Development and operation of a golf course

\* Shares held by PGA European Tour South SA

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

The group's share of the results and assets and liabilities of entities which, under Financial Reporting Standard No 9 'Associates and Joint Ventures', are defined as material joint ventures or associated undertakings, is as follows. The companies not shown below, due to their results and assets and liabilities not being material, are Wentworth Senior Masters Limited, European Golf Design Limited and Scottish Seniors Open Limited.

	European Open Golf Championship Limited		PGA European Tour Productions Limited		Ryder Cup Limited	
	2003	2002	2003	2002	2003	2002
	£	£	£	£	£	£
Turnover	2,003,043	1,773,194	19,476,835	22,118,341	1,074,833	17,400,779
Profit/(loss) before taxation	68,298	37,096	273,929	329,261	(702,031)	2,948,100
Taxation	-	-	(63,375)	(112,037)	116,628	(900,000)
Profit/(loss) after taxation	68,298	37,096	210,554	217,224	(585,403)	2,048,100
Fixed assets	697	456	-	-	-	-
Current assets	547,466	693,056	3,771,709	4,244,392	2,350,000	4,743,487
Liabilities due in less than one year	(281,567)	(379,911)	(3,738,391)	(4,221,629)	(3,458,196)	(5,266,280)
Liabilities due after one year	(761,622)	(876,925)	-	-	-	-
	(495,026)	(563,324)	33,318	22,763	(1,108,196)	(522,793)



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

9 DEBTORS

	2003		2002	
	The group £	The company £	The group £	The company £
Trade debtors	2,469,308	2,448,606	3,228,100	3,206,628
Amounts owed by group undertakings	-	575,456	-	463,539
Amounts owed by related undertakings	1,913,072	1,895,515	2,616,462	2,598,905
Other debtors	581,697	423,145	532,115	263,860
Deferred tax (see note 24)	891,626	886,675	297,190	274,071
Prepayments and accrued income	487,578	358,318	2,160,599	2,078,797
	<u>6,343,281</u>	<u>6,587,715</u>	<u>8,834,466</u>	<u>8,885,800</u>

10 DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003		2002	
	The group £	The company £	The group £	The company £
Amounts owed by related undertakings	<u>794,262</u>	<u>794,262</u>	<u>543,634</u>	<u>543,634</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003		2002	
	The group £	The company £	The group £	The company £
Bank loans (see note 12)	68,000	68,000	68,000	68,000
Trade creditors	1,409,565	1,445,612	864,784	861,094
Amounts owed to group undertakings	-	4,108,127	-	4,129,193
Amounts owed to related undertakings	737,057	392,179	788,806	381,596
Corporation tax	9,014	4,550	201,592	181,458
Social security and other taxes	2,707,535	2,707,535	986,489	986,489
Other creditors	65,381	46,721	917,038	915,983
Accruals and deferred income	2,543,155	2,525,166	2,482,637	2,423,221
	<u>7,539,707</u>	<u>11,297,890</u>	<u>6,309,346</u>	<u>9,947,034</u>

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

### 12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003		2002	
	The group £	The company £	The group £	The company £
Bank loans	272,000	272,000	340,000	340,000

All bank loans are repayable by instalments and interest is payable at a rate which is equivalent to 2.07% per annum above Interbank Market rates.

Bank loans of £340,000 (2002: £408,000) are secured by means of a debenture, deed of set-off and legal charges on the freehold land and buildings known as the PGA European Tour offices, Wentworth Drive, Virginia Water, Surrey, and 75-77 Windsor Road, Chobham, Surrey.

Bank borrowings and finance leases are repayable as follows:

	2003		2002	
	The group £	The company £	The group £	The company £
Within one year:				
Bank loans and overdrafts	68,000	68,000	68,000	68,000
After one and within two years:				
Bank loans and overdrafts	68,000	68,000	68,000	68,000
Between two and within five years:				
Bank loans	204,000	204,000	272,000	272,000
	340,000	340,000	408,000	408,000

### 13 CAPITAL RESERVE

	The group £	The company £
At 1 January 2003 and at 31 December 2003	159,055	182,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

14 PROFIT AND LOSS ACCOUNT

	The group £	The company £
At 1 January 2003	5,713,135	2,306,882
Loss for year	(2,431,414)	(1,832,375)
Exchange difference	(4)	-
At 31 December 2003	<u>3,281,717</u>	<u>474,507</u>

The company's Articles prohibit the distribution of reserves to the members.

15 RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS

	2003		2002	
	The group £	The company £	The group £	The company £
(Loss)/profit for the financial year	(2,431,414)	(1,832,375)	1,669,674	(332,997)
Currency differences on foreign currency net investments	(4)	-	49,457	-
Net (decrease)/increase in members' funds	<u>(2,431,418)</u>	<u>(1,832,375)</u>	<u>1,719,131</u>	<u>(332,997)</u>
Members' funds excluding minority interests at 1 January 2003	5,844,657	2,489,563	4,126,347	2,822,560
Minority interests	27,533	-	(821)	-
Members' funds excluding minority interests at 31 December 2003	<u>3,440,772</u>	<u>657,188</u>	<u>5,844,657</u>	<u>2,489,563</u>

16 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating loss	(2,519,915)	(936,000)
Depreciation and amortisation	561,345	773,139
Profit on sale of tangible fixed assets	(598)	(481,109)
Decrease in debtors	3,034,993	7,683,415
Increase/(decrease) in creditors	1,422,939	(9,186,933)
Foreign exchange differences	(4)	49,457
Net cash inflow/(outflow) from operating activities	<u>2,498,760</u>	<u>(2,098,031)</u>

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

### 17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2003 £	2002 £
Increase/(decrease) in cash in the year	1,104,258	(2,182,867)
Cash utilised to pay debt	68,000	68,000
Movement in net funds/(debt) in period	1,172,258	(2,114,867)
Net (debt)/funds at 1 January 2003	(250,190)	1,864,677
Net funds/(debt) at 31 December 2003	922,068	(250,190)

### 18 ANALYSIS OF NET FUNDS/(DEBT)

	1 January 2003 £	Cash flow £	31 December 2003 £
Cash at bank and in hand	157,810	1,104,258	1,262,068
Debt	(408,000)	68,000	(340,000)
	(250,190)	1,172,258	922,068

### 19 ACQUISITIONS

On 31 December 2003 the group acquired 490 ordinary shares of £1 in European Tour Hospitality Limited, being 49% of its nominal share capital, for a consideration of £490 satisfied in cash. The group now owns 100% of the ordinary share capital of European Tour Hospitality Limited. Goodwill arising on the acquisition of European Tour Hospitality Limited has been capitalised and fully written off in the year. The purchase of European Tour Hospitality Limited has been accounted for by the acquisition method of accounting.

The profit after taxation of European Tour Hospitality Limited for the period from 1 January 2003, the beginning of the subsidiary's financial year to the date of acquisition, was £22,118. The profit after taxation for the year ended 31 December 2002 was £41,805.

### 20 TRANSACTIONS WITH RELATED PARTIES

PGA European Tour holds investments in a number of joint ventures and associated undertakings, as disclosed in note 8. PGA European Tour has taken advantage of the exemption contained within Financial Reporting Standard No 8 'Related Party Transactions' and not disclosed transactions with wholly owned subsidiary undertakings.

During the year the group entered into transactions with these companies on normal trading terms which are classified as related party transactions.

The directors consider all transactions entered into to be similar in nature.

The aggregate amount of sales to related parties during the year ended 31 December 2003 was £15,191,014 (2002: £16,080,445).

The aggregate amount of purchases from related parties during the year ended 31 December 2003 was £6,262,656 (2002: £3,250,720).

Balances due by and to related parties are given in notes 9, 10 and 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

21 LEASING COMMITMENTS

Operating lease payments amounting to £359,633 (2002: £364,311) are due within one year. The commitments to make the payments, none of which relate to property, included in this sum expire as follows:

	2003		2002	
	The group £	The company £	The group £	The company £
In one year or less	44,272	44,272	55,910	55,910
Between one and five years	315,361	315,361	308,401	308,401
	<u>359,633</u>	<u>359,633</u>	<u>364,311</u>	<u>364,311</u>

22 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 December 2003 or 31 December 2002.

23 CONTINGENT LIABILITIES

The company has confirmed its support to Wentworth Senior Masters Limited and European Open Golf Championship Limited in respect of the on going commitment of the PGA European Tour to these tournaments.

The company has also agreed to guarantee the obligation of a third party up to a maximum of £350,000. There are no reasons to suppose that the third party will not honour its obligations.

24 DEFERRED TAXATION

	The group £	The company £
At 1 January 2003	297,190	274,071
Provided during year	594,436	612,604
At 31 December 2003	<u>891,626</u>	<u>886,675</u>

Deferred tax asset provided for in the financial statements is set out below:

	2003		2002	
	The group £	The company £	The group £	The company £
Capital allowances	84,003	83,947	79,937	79,863
General provision	-	-	3,000	-
Tax losses carried forward	807,623	802,728	214,253	194,208
	<u>891,626</u>	<u>886,675</u>	<u>297,190</u>	<u>274,071</u>

25 PENSIONS

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

26 EQUITY MINORITY INTERESTS

	£
At 1 January 2003	(27,533)
Attributable profit for the year	25,041
Shares acquired	(490)
Purchase of minority interest	2,982
At 31 December 2003	-

The equity minority interest relates to European Tour Hospitality Limited.