

Consolidated Financial Statements

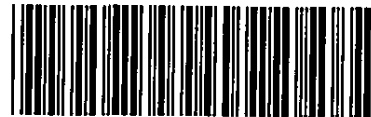
PGA European Tour

(A Company Limited By Guarantee)

and its subsidiary undertakings

For the year ended 31 December 2012

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PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Company registration number 1867610

Registered office Wentworth Drive
Virginia Water
Surrey
GU25 4LX

Directors N C Coles MBE (Chairman)
A Gallardo (Vice Chairman)

P Eales
C Hanell
D Jones
R W Lee
J E O'Leary
M Roe
D J Russell
O Sellberg
J S Spence

Secretary J R Orr

Bankers. Barclays Bank plc
28 George Street
Luton
Bedfordshire
LU1 2AE

Auditor Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
1020 Eskdale Road
I Q Winnersh
Wokingham
Berkshire
RG41 5TS

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors present their report together with the consolidated financial statements for the year ended 31 December 2012

Principal activities

The group is principally engaged in the promotion, management and administration of the interests and affairs of tournament playing male professional golfers, who are members of the PGA European Tour

Financial overview

Group turnover for the year ended 31 December 2012 was £158,215,509 - an increase of 3% on last year (2011 £153,766,864).

The group profit on ordinary activities before tax was £3,297,521 (2011 loss £2,248,419)
The group profit for the year after taxation and equity minority interests amounted to £1,646,180 (2011 loss £349,465)

The 2012 results benefitted from the surplus generated at the Ryder Cup matches in Medinah, USA. The group's results for the year are slightly ahead of budget and the group remains on target to achieve its objective of an overall surplus for the four year period from 2011 to 2014

The profit for the year has been transferred to reserves. The company's Articles prohibit the distribution of reserves to the members

Summary of key performance indicators

The directors monitor the progress of overall group strategy by reference to certain financial and non-financial key performance indicators. These are based on the development of prize funds, the growth of members' funds, the level of members' services and on various commercial aspects such as television, sponsorship, tournament development, brand recognition and property contracts

▪ Prize funds

Prize funds are contracted and paid in various currencies, but for the purpose of calculating the Race to Dubai, all prize funds are converted into euro. The total prize funds in euro available to the members and the number of events scheduled across the three Tours from January to December in each year were as follows

	2012 Calendar		2011 Calendar	
	€m	No of events	€m	No of events
European Tour Race to Dubai*	135.7	47	133.3	50
Other tournaments	-	-	6.7	2
Senior Tour	7.5	15	7.4	18
Challenge Tour*	5.5	26	5.4	25

Other tournaments are those not included in the Race to Dubai. In 2011 these tournaments were the Vivendi Seve Trophy and the Omega Mission Hills World Cup. These were not scheduled or played in 2012.

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

*These figures include €1m of prize fund for two dual ranking tournaments on both the European Tour Race to Dubai and Challenge Tour. This has been included in both figures for 2012 and 2011.

▪ *Members' Funds.*

As a result of net profit for the year and currency differences on foreign currency net investments, members' funds excluding minority interests increased from £13,645,094 in 2011 to £15,291,274 in 2012.

Future developments for the group

The group budgets over a four-year cycle. The current budgeting cycle runs from 2011 to 2014 and encompasses an away Ryder Cup Match in Medinah, USA in 2012 and a home Ryder Cup Match in Gleneagles, Scotland in 2014. It is currently anticipated that surpluses will be generated in Ryder Cup Match years. Losses in the non-Ryder Cup years of 2011 and 2013 will be offset against these surpluses. The group aims to make an overall surplus for the four year period from 2011 to 2014.

Going concern

The directors have reviewed the forecasts and projections for the group and have concluded that despite the level of uncertainty in the current economic environment, the group has adequate resources to be able to continue in operational existence for the foreseeable future. The group has considerable financial resources and has no current bank borrowing. As a consequence, the directors believe the group is well placed to manage its business risks. Accordingly, they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

Overseas branches

The group continued to trade from its branches in Spain and Hong Kong.

Key risks and uncertainties

The future prosperity of the European Tour group is dependent upon maintaining and growing global interest in tournament golf. The group currently derives significant income streams from television and also the success of running key tournaments such as the Ryder Cup and the BMW PGA Championship. The European Tour competes with other sports and also other golf tours for sponsorship and other related commercial income. It is important that the European Tour is commercially successful so that it can continue to attract the world's best golfers to participate in the events that it sanctions.

Financial risk management objectives and policies

The main financial risks arising from the group's activities are market risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

Market risk

The market risk facing the entity is primarily currency risk. The group is exposed to transaction foreign exchange risk some of which cannot, in practice, be mitigated. Where the risk is substantial and can be reliably estimated, transaction exposures, including those associated with forecast transactions, are hedged. This is principally achieved using forward currency contracts, when a natural hedge is not available. Whilst the aim is to achieve an economic hedge the group does not adopt an accounting policy of hedge accounting for these financial statements.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquid resource is available to meet foreseeable needs and to invest cash assets safely and profitably.

Credit risk

The group's principal financial assets are cash and trade debtors. The principal credit risk arises therefore from the group's trade debtors. In order to manage credit risk the executive management team agree arrangements for promoters, sponsors and other customers taking account of a number of factors including payment history and third party credit references. Credit arrangements are reviewed by the executive on a regular basis in conjunction with debt ageing and collection history.

Directors

The directors who served the company during the year are named below.

N C Coles MBE (Chairman)
A Gallardo (Vice Chairman)

P Eales
C Hanell
D Jones
R W Lee
J E O'Leary
M Roe
D J Russell
O Sellberg
J S Spence

In addition there are non-executives who work with the board to advise in areas where their expertise and experience are relevant. These directors (who are not statutory directors for the purposes of the Companies Act 2006) are as follows:

Sir Michael Bonallack, OBE
P A T Davidson, FCA
B Nordberg
N Northridge (resigned 30 September 2012)
K S Owen

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

The chief executive officer, G C O'Grady, is regarded as a shadow director under the Companies Act 2006

Unless otherwise stated, all the persons named above served throughout the year

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Each of the persons who are directors at the time when this Report of the Directors is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and group's auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

Remuneration policy

Decisions on the remuneration of the chief executive and certain other senior executives are made by the board's remuneration committee. This committee is appointed by the board and comprises N C Coles MBE and P A T Davidson, FCA. Decisions on the remuneration of all other employees are made by the chief executive after advice from the executive remuneration committee. The executive remuneration committee comprises the chief operating officer and the finance director and is chaired by P A T Davidson, FCA. These committees retain an outside consultancy to advise on remuneration in the market place.

Remuneration structure is designed to attract, retain, and motivate executives of the appropriate calibre and experience so that the group is managed successfully for the benefit of the membership. Remuneration consists of base salary and performance related pay, together with other benefits including contributions to a defined contribution pension scheme.

Base salary is reviewed annually in February for the year ahead and is based on appropriate market comparisons taking into account the executives' experience and responsibilities. There may also be a variable element added to base pay dependent on the performance of the group and the individual in the previous period. In addition there is a long term incentive plan that rewards key executives for performance over the four-year budgeting cycle. This plan is linked to the achievement of the key performance indicators referred to on page 2.

Audit

The group's external statutory auditor is Grant Thornton UK LLP. The board has appointed an audit committee comprising two non-executive board directors who meet with the external auditor and the finance director to overview the adequacy of the group's internal controls, accounting policies and financial reporting, and to provide a forum for the external auditor's recommendations to be discussed by the board. The current members of this committee are Sir Michael Bonallack, OBE and P A T Davidson, FCA.

Charitable and political donations

Donations to charitable organisations during the year amounted to £608,271 (2011 £670,987).

Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with section 485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditor will be proposed at the Annual General Meeting.



BY ORDER OF THE BOARD

J R Orr
Secretary

13th May 2013
Company no 1867610

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT 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 2012 which comprise the principal accounting policies, the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PGA EUROPEAN TOUR (A COMPANY LIMITED BY GUARANTEE) (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stephen Maslin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

Date 30 May 2013

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the report of the directors on pages 2 to 6. The group has considerable financial resources in both parent and subsidiary companies. The directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of signing these financial statements.

Basis of consolidation

The consolidated financial statements include those of the company and of its subsidiary undertakings drawn up to 31 December 2012. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. All intra-group transactions and balances are eliminated on consolidation

The consolidated financial statements incorporate the joint ventures under the equity method of accounting, supplemented by additional disclosures as appropriate.

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

Turnover

Turnover is the total amount receivable by the group for services provided whilst conducting its principal activities, excluding VAT and trade discounts. Income is generally recognised in the year in which the related event or activity takes place on the accruals basis. Income in respect of long term contracts is recognised at the rate at which the right to consideration in exchange for performance under the terms of each contract is obtained

Barter income is recognised at fair market value of the services provided

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on consolidation, representing the excess consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life, which varies between 5 and 20 years. Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired.

Other intangible assets

Intellectual property rights are amortised over the period during which the group is expected to benefit, which is estimated at 5 years. Provision is made for any impairment.

Depreciation of tangible fixed assets

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

The rates generally applicable are:

Motor vehicles	25%
Building improvements	5%
Office & computer equipment	25 – 33 3%
Furniture & fittings	15%
Field equipment	15 – 25%
Freehold buildings	2%

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 on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance date.

Foreign currencies

Monetary assets and liabilities and the balance sheets of overseas undertakings in foreign currencies 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.

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Contributions to pension funds - defined contribution scheme

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 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, where substantially all the risks and rewards of ownership remain with the lessor, 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 AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		£	£
Turnover			
Total	1	158,215,509	153,766,864
Less joint venture companies		<u>(34,935,259)</u>	<u>(29,660,721)</u>
		123,280,250	124,106,143
Less administrative expenses		<u>(120,331,720)</u>	<u>(126,835,414)</u>
Operating profit/(loss)		2,948,530	(2,729,271)
Share of profits less losses of joint ventures		312,182	422,602
Net interest	2	<u>36,809</u>	<u>58,250</u>
Profit/(loss) on ordinary activities before taxation	1	3,297,521	(2,248,419)
Tax on profit/(loss) on ordinary activities	4	(625,571)	(39,027)
Share of tax on profits less losses of joint ventures	4	(274,611)	(193,165)
Share of deferred tax arising in joint ventures	4	-	3,570
		<u>(274,611)</u>	<u>(189,595)</u>
Profit/(loss) on ordinary activities after taxation		2,397,339	(2,477,041)
Equity minority interests	25	<u>(751,159)</u>	<u>2,127,576</u>
Retained profit/(loss) for the year transferred to reserves	13	<u>1,646,180</u>	<u>(349,465)</u>

All activities are classified as continuing

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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible assets	6	116,326	206,900
Tangible assets	7	1,603,000	1,633,362
Investments in joint ventures	8		
- Share of gross assets		7,448,577	6,639,410
- Share of gross liabilities		(7,073,319)	(6,051,723)
		<u>375,258</u>	<u>587,687</u>
		2,094,584	2,427,949
Current assets			
Debtors			
- due within one year	9	21,189,917	17,609,040
- due after one year	10	218,372	-
Cash at bank and in hand		<u>12,081,789</u>	<u>8,347,673</u>
		33,490,078	25,956,713
Creditors: amounts falling due within one year	11	<u>(21,617,839)</u>	<u>(16,815,178)</u>
Net current assets		11,872,239	9,141,535
Total assets less current liabilities		13,966,823	11,569,484
Net assets		13,966,823	11,569,484
Financed by			
Capital reserve	12	159,055	159,055
Profit and loss account	13	<u>15,132,219</u>	<u>13,486,039</u>
Members' funds excluding minority interests		15,291,274	13,645,094
Minority interests	25	<u>(1,324,451)</u>	<u>(2,075,610)</u>
Total members' funds including minority interests	14	13,966,823	11,569,484

The financial statements were approved and authorised for issue by the Board of Directors on 13th May 2013 and signed on their behalf by

N C Coles MBE
Director

A Gallardo
Director

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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

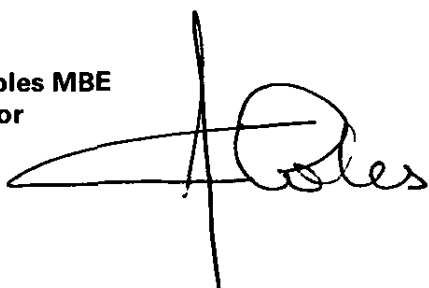
COMPANY BALANCE SHEET

AT 31 DECEMBER 2012

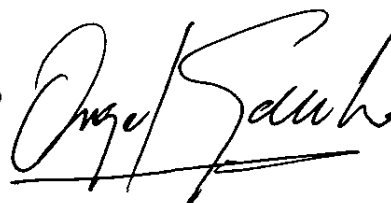
	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	6		-		79,999
Tangible assets	7		1,603,000		1,633,362
Investments	8		613,892		613,892
			2,216,892		2,327,253
Current assets					
Debtors					
- due within one year	9	20,182,632		18,603,309	
- due after one year	10	218,372		-	
Cash at bank and in hand		9,434,832		6,897,315	
		29,835,836		25,500,624	
Creditors amounts falling due within one year	11	(22,914,984)		(20,447,278)	
Net current assets			6,920,852		5,053,346
Total assets less current liabilities			9,137,744		7,380,599
Net assets			9,137,744		7,380,599
Financed by					
Capital reserve	12		182,681		182,681
Profit and loss account	13		8,955,063		7,197,918
Members' funds	14		9,137,744		7,380,599

The financial statements were approved and authorised for issue by the Board of Directors on 13th May 2013 and signed on their behalf by

N C Coles MBE
Director



A Gallardo
Director



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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	£	2012 £	£	2011 £
Net cash inflow/(outflow) from operating activities	15		4,342,106		(2,201,922)
Dividends received from joint venture companies			250,000		250,000
Returns on investments and servicing of finance					
Interest received		36,809		69,076	
Interest paid		-		(10,826)	
Net cash inflow from returns on investments and servicing of finance			36,809		58,250
Taxation			(444,678)		(1,929,078)
Capital expenditure					
Purchase of tangible fixed assets		(451,975)		(288,597)	
Sale of tangible fixed assets		1,854		572	
Net cash outflow from capital expenditure			(450,121)		(288,025)
Profit share distribution from Ryder Cup Europe LLP			-		(549,578)
Net cash inflow/(outflow) before financing			3,734,116		(4,660,353)
Financing					
Capital element of finance lease payments		-		(4,140)	
Net cash outflow from financing			-		(4,140)
Increase/(decrease) in cash	16		3,734,116		(4,664,493)

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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 £	2011 £
Profit/(loss) for the year	1,646,180	(349,465)
Currency differences on foreign currency net investments	-	2,297
Total recognised gains and losses for the year	<u>1,646,180</u>	<u>(347,168)</u>
Total gains and losses recognised since last financial statements	<u>1,646,180</u>	<u>(347,168)</u>

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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

Turnover and profit/(loss) 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 male professional golfers

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

Profit/(loss) on ordinary activities is stated after charging/(crediting)

	2012 £	2011 £
Amortisation		
- intellectual property rights	79,999	760,865
- goodwill	10,575	84,167
Depreciation		
- owned assets	482,317	365,938
Group auditor's remuneration		
- audit services	56,225	54,575
- Parent company	4,800	9,400
- Subsidiaries	30,907	27,833
- taxation services	6,370	660
- VAT services	85,385	-
- remuneration services		
Operating lease rentals		
- other operating leases	215,388	230,182
Net foreign exchange loss	697,111	228,421
(Profit) on disposal of fixed assets	(1,834)	(534)

2 NET INTEREST

	2012 £	2011 £
Interest receivable	36,809	69,076
Interest payable on bank loans, overdrafts, other loans and equivalents	-	(10,147)
Interest payable on finance leases	-	(679)
	36,809	58,250

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows

	2012 £	2011 £
Wages and salaries	9,553,129	9,349,111
Health insurance and other benefits	354,963	369,237
Social security costs	1,044,781	1,011,054
Pension costs	981,482	968,219
	<u>11,934,355</u>	<u>11,697,621</u>
Less amounts recharged to related undertakings	(110,708)	(102,404)
Net staff costs	<u>11,823,647</u>	<u>11,595,217</u>

Net staff costs for 2012 include costs of £1,352,083 (2011: £1,433,982) relating to Ryder Cup Europe LLP. The average number of employees of the group during the year was 157 (2011: 152).

In addition, the average number of retained consultants of the group during the year was 14 (2011: 15).

Remuneration in respect of directors, excluding non-executive directors but including those deemed to be shadow directors, was payable as follows

	2012 £	2011 £
Management remuneration	488,737	441,057
Long term incentive plan	-	144,720
Other pension costs	14,138	54,120
	<u>502,875</u>	<u>639,897</u>

The number of directors, including those deemed to be shadow directors, who were members of the company pension scheme during the year was 1 (2011: 1).

The above remuneration was in respect of the highest paid director

During 2012 the highest paid director elected to receive £43,312 of his pension contribution as a bonus. This is included in the management remuneration of £488,737.

The long term incentive plan rewards key executives for performance over the four-year budgeting cycle from 2011 to 2014. This plan is linked to the achievement of the performance indicators referred to in the report of the directors' on pages 2 to 6.

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	2012 £	2011 £
Tax based on result of group before reliefs	557,032	891,662
Partnership losses carried back	-	(677,371)
UK corporation tax at 24 50% (2011: 26 49%)	557,032	214,291
Adjustments in respect of prior periods	(100,607)	12,294
	456,425	226,585
Overseas tax	13,267	23,145
Total current tax excluding joint ventures	469,692	249,730
Deferred tax (note 23)	155,879	(210,703)
Total tax excluding joint ventures	625,571	39,027
Share of joint ventures' current tax	274,611	193,165
Share of joint ventures' deferred tax	-	(3,570)
Tax on profit on ordinary activities	900,182	228,622

Factors affecting current tax charge for the year

The tax assessed for the period is different from the standard rate of corporation tax in the UK of 24 50% (2011: 26 49%). The differences are explained as follows

	2012 £	2011 £
Profit/(loss) on ordinary activities before taxation	3,297,521	(2,248,419)
Share of profits less losses of joint ventures	(312,182)	(422,602)
Profit/(loss) on ordinary activities before joint ventures and taxation	2,985,339	(2,671,021)
Multiplied by the standard rate of corporation tax in the UK of 24 50% (2011: 26 49%)	731,408	(707,554)
Effect of		
Goodwill amortisation not deductible for tax purposes	2,591	22,296
Other expenses not deductible for tax purposes	211,817	102,947
Income not taxable	29,538	24,348
Partnership profits not taxable/losses carried back to prior year	(462,210)	719,949
Differences between depreciation and capital allowances	34,895	13,009
Tax losses utilised	(51,124)	(29,220)
Tax losses carried forward	-	1,294
Overseas tax	13,267	23,145
Other differences	60,117	67,222
Adjustment to tax charge in respect of prior periods	(100,607)	12,294
Total current tax excluding joint ventures	469,692	249,730

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

5 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The profit for the year dealt with in the financial statements of the company was £1,757,145 (2011 loss £239,891). The profit after taxation but before the share of partnership results for the year, share of partnership tax and dividends received was £624,220 (2011 £1,836,654).

6 INTANGIBLE FIXED ASSETS

The group

	Goodwill	Intellectual property rights	Title rights	Total
	£	£	£	£
Cost				
At 1 January 2012	1,557,788	3,795,012	686,054	6,038,854
Additions	-	-	-	-
At 31 December 2012	<u>1,557,788</u>	<u>3,795,012</u>	<u>686,054</u>	<u>6,038,854</u>
Amortisation				
At 1 January 2012	1,430,887	3,715,013	686,054	5,831,954
Charge for the year	10,575	79,999	-	90,574
At 31 December 2012	<u>1,441,462</u>	<u>3,795,012</u>	<u>686,054</u>	<u>5,922,528</u>
Net book amount at 31 December 2012	<u>116,326</u>	<u>-</u>	<u>-</u>	<u>116,326</u>
Net book amount at 31 December 2011	<u>126,901</u>	<u>79,999</u>	<u>-</u>	<u>206,900</u>

The company

	Intellectual property rights	Title rights	Total
	£	£	£
Cost			
At 1 January 2012	3,785,839	686,054	4,471,893
Additions	-	-	-
At 31 December 2012	<u>3,785,839</u>	<u>686,054</u>	<u>4,471,893</u>
Amortisation			
At 1 January 2012	3,705,840	686,054	4,391,894
Charge for the year	79,999	-	79,999
At 31 December 2012	<u>3,785,839</u>	<u>686,054</u>	<u>4,471,893</u>
Net book amount at 31 December 2012	<u>-</u>	<u>-</u>	<u>-</u>
Net book amount at 31 December 2011	<u>79,999</u>	<u>-</u>	<u>79,999</u>

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

7 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 2012	4,848,451	324,339	1,850,069	1,420,308	356,912	345,998	550,825
Additions	451,975	-	-	450,648	1,327	-	-
Disposals	(29,436)	(6,170)	-	(21,727)	(1,539)	-	-
At 31 December 2012	5,270,990	318,169	1,850,069	1,849,229	356,700	345,998	550,825
Depreciation							
At 1 January 2012	3,215,089	309,760	1,058,341	1,083,295	324,851	306,644	132,198
Provided in the year	482,317	11,777	82,913	352,935	8,760	14,916	11,016
Disposals	(29,416)	(6,169)	-	(21,713)	(1,534)	-	-
At 31 December 2012	3,667,990	315,368	1,141,254	1,414,517	332,077	321,560	143,214
Net book amount at 31 December 2012	1,603,000	2,801	708,815	434,712	24,623	24,438	407,611
Net book amount at 31 December 2011	1,633,362	14,579	791,728	337,013	32,061	39,354	418,627

None of the figures stated above include assets held under hire purchase contracts

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

The company	Total £	Motor Vehicles £	Building improve- ments £	Office & computer equipment £	Furniture & fittings £	Field equipment £	Freehold land & buildings £
Cost							
At 1 January 2012	4,847,699	324,339	1,850,069	1,420,308	356,160	345,998	550,825
Additions	451,975	-	-	450,648	1,327	-	-
Disposals	(29,436)	(6,170)	-	(21,727)	(1,539)	-	-
At 31 December 2012	5,270,238	318,169	1,850,069	1,849,229	355,948	345,998	550,825
Depreciation							
At 1 January 2012	3,214,337	309,760	1,058,341	1,083,295	324,099	306,644	132,198
Provided in the year	482,317	11,777	82,913	352,935	8,760	14,916	11,016
Disposals	(29,416)	(6,169)	-	(21,713)	(1,534)	-	-
At 31 December 2012	3,667,238	315,368	1,141,254	1,414,517	331,325	321,560	143,214
Net book amount at 31 December 2012	1,603,000	2,801	708,815	434,712	24,623	24,438	407,611
Net book amount at 31 December 2011	1,633,362	14,579	791,728	337,013	32,061	39,354	418,627

None of the figures stated above include assets held under hire purchase contracts

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

8 FIXED ASSET INVESTMENTS

The group

	Total £	Cost £	Share of post acquisition reserves £
Joint ventures			
At 1 January 2012	587,687	600	587,087
Share of profits less losses for the year	37,571	-	37,571
Dividend	(250,000)	-	(250,000)
At 31 December 2012	375,258	600	374,658

The company

	Total £	Shares in Subsidiaries £	Shares in joint ventures £	Loans £
Cost				
At 1 January 2012 and 31 December 2012	613,892	555,600	600	57,692

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Subsidiary undertakings

At 31 December 2012 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%	No longer trading
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 Open Golf Championship Limited	England and Wales	Ordinary	100%	Dormant
European Golf Management Limited	England and Wales	Ordinary	100%	Golf Course consultancy
Union Square Golf Limited	England and Wales	Ordinary	100%	Dormant
Eurasia Golf Limited	England and Wales	Ordinary	100%	Dormant
Eurasia Golf Productions Limited	England and Wales	Ordinary	100%	Dormant
Ryder Cup Europe LLP	England and Wales	Partnership interest	60%	The promotion of the Ryder Cup
Ryder Cup Limited*	England and Wales	Ordinary	60%	The promotion of the Ryder Cup
Ryder Cup Hospitality 2014 Limited* (dissolved 22 January 2013)	England and Wales	Ordinary	60%	Hospitality sales at the Ryder Cup

* The interest in the share capital of these companies is held via the interest in Ryder Cup Europe LLP. The results of all the subsidiary undertakings have been consolidated in the group financial statements

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

Joint ventures

At 31 December 2012 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
London Golf (European Tour) Limited	England and Wales	Ordinary	50%	The promotion of the London Golf Club

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, assets and liabilities being immaterial to the group results, are European Golf Design Limited and London Golf (European Tour) Limited

	PGA European Tour Productions Limited	
	2012 £	2011 £
Turnover	<u>34,644,550</u>	<u>29,198,407</u>
Profit before taxation	458,440	492,965
Taxation	<u>(266,581)</u>	<u>(181,904)</u>
Profit after taxation	<u>191,859</u>	<u>311,061</u>
Fixed assets	45,179	66,926
Current assets	7,093,838	6,104,823
Liabilities due within one year	<u>(6,815,988)</u>	<u>(5,790,579)</u>
	<u>323,029</u>	<u>381,170</u>

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

9 DEBTORS AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2012		2011	
	The group £	The company £	The group £	The company £
Trade debtors	13,958,626	13,316,665	9,326,662	9,230,200
Amounts owed by group undertakings	-	944,072	-	2,005,585
Amounts owed by joint ventures and other related undertakings	2,705,163	2,275,563	1,312,542	1,312,542
Other debtors	22,781	-	651,221	-
Corporation tax	17,743	-	17,690	-
Other taxation and social security	91,974	91,974	122,770	122,770
Deferred tax (note 23)	292,997	246,155	448,876	343,388
Prepayments and accrued income	4,100,633	3,308,203	5,729,279	5,588,824
	<u>21,189,917</u>	<u>20,182,632</u>	<u>17,609,040</u>	<u>18,603,309</u>

10 DEBTORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012		2011	
	The group £	The company £	The group £	The company £
Other debtors	218,372	218,372	-	-
	<u>218,372</u>	<u>218,372</u>	<u>-</u>	<u>-</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012		2011	
	The group £	The company £	The group £	The company £
Trade creditors	3,219,051	2,722,751	5,022,963	4,856,859
Amounts owed to group undertakings	-	8,376,034	-	9,545,685
Other creditors	483,537	-	1,394,315	-
Corporation tax	156,815	156,761	131,748	131,724
Social security and other taxes	1,490,443	1,459,228	1,094,106	1,094,106
Accruals and deferred income	16,267,993	10,200,210	9,172,046	4,818,904
	<u>21,617,839</u>	<u>22,914,984</u>	<u>16,815,178</u>	<u>20,447,278</u>

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

12 CAPITAL RESERVE

	The group £	The company £
At 1 January 2012 and at 31 December 2012	<u>159,055</u>	<u>182,681</u>

13 PROFIT AND LOSS ACCOUNT

	The group £	The company £
At 1 January 2012	13,486,039	7,197,918
Profit for the year	<u>1,646,180</u>	<u>1,757,145</u>
At 31 December 2012	<u>15,132,219</u>	<u>8,955,063</u>

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

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

14 RECONCILIATION OF MOVEMENTS IN MEMBERS' FUNDS

	The group £	2012 The company £	The group £	2011 The company £
Profit/(loss) for the financial year	1,646,180	1,757,145	(349,465)	(239,891)
Currency differences on foreign currency net investments	-	-	2,297	-
Net increase/(decrease) in members' funds	1,646,180	1,757,145	(347,168)	(239,891)
Members' funds including minority interests at 1 January	11,569,484	7,380,599	14,593,806	7,620,490
Minority interests (see note 25)	751,159	-	(2,677,154)	-
Members' funds including minority interests at 31 December	13,966,823	9,137,744	11,569,484	7,380,599

15 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit/(loss)	2,948,530	(2,729,271)
Depreciation and amortisation	572,891	1,210,970
Profit on sale of tangible fixed assets	(1,834)	(534)
(Increase)/decrease in debtors	(3,955,075)	6,707,937
Increase/(decrease) in creditors	4,777,594	(7,393,321)
Foreign exchange differences	-	2,297
Net cash inflow/(outflow) from operating activities	4,342,106	(2,201,922)

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2012 £	2011 £
Increase/(decrease) in cash in the year	3,734,116	(4,664,493)
Decrease in debt	-	4,140
Movement in net funds in period	3,734,116	(4,660,353)
Net funds at 1 January	8,347,673	13,008,026
Net funds at 31 December	12,081,789	8,347,673

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

17 ANALYSIS OF NET FUNDS

	1 January 2012 £	Cash flow £	31 December 2012 £
Cash at bank and in hand	<u>8,347,673</u>	<u>3,734,116</u>	<u>12,081,789</u>

18 LEASING COMMITMENTS

Operating lease payments amounting to £203,688 (2011 £132,838) are due within one year. The commitments to make the payments, none of which relate to property, included in this sum expire as follows

	The group £	2012 The company £	The group £	2011 The company £
In one year or less	63,711	63,711	61,963	61,963
Between one and five years	139,977	139,977	65,875	65,875
Greater than five years	-	-	5,000	5,000
	<u>203,688</u>	<u>203,688</u>	<u>132,838</u>	<u>132,838</u>

19 MAJOR NON-CASH TRANSACTIONS

Barter income in respect of sponsorship totalling £nil (2011 £nil) was received and capitalised as tangible fixed assets

20 CAPITAL COMMITMENTS

Neither the group nor the company had any capital commitments at 31 December 2012 or 31 December 2011

21 CONTINGENT LIABILITIES

Neither the group nor the company had any material contingent liabilities at 31 December 2012 or 31 December 2011. The group has committed to continued support of its subsidiaries and joint venture companies for the foreseeable future and at least 12 months from the signing of the financial statements of each entity

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

22 TRANSACTIONS WITH RELATED PARTIES

PGA European Tour holds investments in a number of subsidiaries and joint ventures as disclosed in note 8. These entities are regarded as related parties and so transactions with them and balances due from/(to) them are disclosed below, except that the group has taken advantage of the exemption contained within Financial Reporting Standard No. 8 'Related Party Disclosures' and not disclosed transactions with wholly owned subsidiary undertakings.

The group	2012			2011		
	Purchases/ charges from £	Sales/ charges to £	Balance at year end £	Purchases/ charges from £	Sales/ charges to £	Balance at year end £
PGA European Tour Productions Limited	3,104,251	23,162,136	2,650,163	2,871,698	14,711,677	1,257,542
European Golf Design Limited	6,147	-	50,000	6,180	1,380	50,000
London Golf Club Developments Limited	522	105,840	-	14,318	101,250	-
London Golf (European Tour) Limited	-	-	5,000	-	-	5,000
Tour Players Foundation Limited	50,050	-	65,848	48,851	-	51,482

The company	2012			2011		
	Purchases/ charges from £	Sales/ charges to £	Balance at year end £	Purchases/ charges from £	Sales/ charges to £	Balance at year end £
Ryder Cup Europe LLP	138,361	2,050,229	593,640	102,163	2,179,504	1,522,931
Ryder Cup Limited	-	-	-	-	-	-
PGA European Tour Productions Limited	2,532,328	16,273,362	2,220,563	2,477,447	14,655,880	1,257,542
European Golf Design Limited	6,147	-	50,000	6,180	1,380	50,000
London Golf Club Developments Limited	522	-	-	14,318	-	-
London Golf(European Tour) Limited	-	-	5,000	-	-	5,000
Tour Players Foundation Limited	50,050	-	65,848	48,851	-	51,482

PGA EUROPEAN TOUR AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

23 DEFERRED TAXATION

Deferred tax asset included in debtors

	The group £	The company £
At 1 January 2012	448,876	343,388
Utilised in the year	(155,879)	(97,233)
At 31 December 2012	<u>292,997</u>	<u>246,155</u>

The deferred tax asset recognised in the financial statements is analysed below

	2012		2011	
	The group £	The company £	The group £	The company £
Capital allowances and depreciation	117,456	108,539	92,059	82,367
Other timing differences	137,616	137,616	74,582	74,582
Tax losses carried forward	37,925	-	282,235	186,439
	<u>292,997</u>	<u>246,155</u>	<u>448,876</u>	<u>343,388</u>

24 PENSIONS

The group operated a defined contribution pension scheme until 30 June 2006 for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

Since 1 July 2006 the group has operated a defined contribution group personal pension plan.

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period, and are disclosed in note 3.

25 MINORITY INTERESTS

	£
At 1 January 2012	(2,075,610)
Attributable to profit for the year	751,159
Profit share distribution in Ryder Cup Europe LLP	-
At 31 December 2012	<u>(1,324,451)</u>

The equity minority interest relates to Ryder Cup Europe LLP and its subsidiaries, Ryder Cup Limited and Ryder Cup Hospitality 2014 Limited.