

# **Annual Report and Financial Statements**

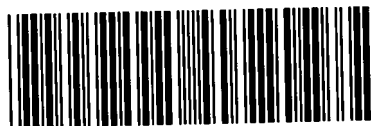
## **PGA European Tour**

**(A Company Limited By Guarantee) and its  
subsidiary undertakings**

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**For the year ended 31 December 2017**

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29/06/2018  
COMPANIES HOUSE

**Company no: 01867610**

# **PGA EUROPEAN TOUR**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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Company registration number: 01867610

Registered office: European Tour Building  
Wentworth Drive  
Virginia Water  
Surrey  
GU25 4LX

Directors: D G Williams (Chairman)  
P Eales  
C L H Hanell  
D Jones  
R W Lee  
J E O'Leary  
M A Roe  
D J Russell  
O Sellberg  
J S Spence

Secretary: S E Gordon

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

Independent Auditors: PricewaterhouseCoopers LLP  
3 Forbury Place  
23 Forbury Road  
Reading  
RG1 3JH

**PGA EUROPEAN TOUR**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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# PGA EUROPEAN TOUR

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their strategic report for the year ended 31 December 2017.

#### Business Review

##### *Overview of PGA European Tour*

The PGA European Tour Group (the "Group") comprises of a number of subsidiaries and joint venture entities engaged in the promotion, management and administration of professional tournament golf. The business is run by a professional staff of over 250 people and is headquartered at Wentworth in Virginia Water, Surrey. The PGA European Tour operations are overseen by a Board of Directors including past and present playing members and by a Tournament Committee comprising a maximum of 15 current players. In addition, there are five shadow directors who work with the Board to advise in areas where their expertise and experience are relevant.

The European Tour celebrates men's professional golf on a global stage. In 2017, the European Tour International Schedule featured 47 tournaments in 26 countries, including eight Rolex Series events, all part of the Race to Dubai.

Celebrating the global connectivity of the European Tour and Dubai, the Race to Dubai is a season-long competition to crown the European Tour's Number One player, an honour which, in 2017, went to England's Tommy Fleetwood for the first time and, which since 2009, has also been achieved three times by Rory McIlroy, twice by Henrik Stenson as well as by Lee Westwood, Martin Kaymer and Luke Donald. Formerly known as the Order of Merit, points are accumulated based on prize money won, with the top ten ranked players at the end of the season sharing a \$5million Race to Dubai bonus pool.

Since its formation in 1972, the European Tour has witnessed 26 Members celebrate a total of 52 Major Championship titles between them, enjoyed ten Members attaining the pinnacle of World Number One and has celebrated its diversity as players from 36 different countries have won on the Tour.

The European Tour also manages the Challenge Tour, which featured 27 tournaments in 21 countries in 2017, and the Senior Tour, which featured 16 tournaments in 12 countries in 2017 and which, from the 2018 season onwards, will be known as the Staysure Tour. It is also the Managing Partner of Ryder Cup Europe LLP, the body which, alongside the PGA of America, administers golf's greatest team contest, The Ryder Cup. The European Tour broadcasts live coverage of its tournaments to more than 490 million homes in more than 150 countries every week, generating in excess of 2,200 global broadcast hours for each event. It also enjoys the support of many of the world's leading business brands with Rolex, BMW, Emirates and Titleist as Official Partners.

##### *Review of the Year*

2017 was characterised as a year of investment in order to drive PGA European Tour's 2018 transformation agenda. This included investment into the finance function technology, our international relationships, our digital footprint and commercial relationships.

The Group turnover including joint ventures for the year ended 31 December 2017 was £210,923,300 (2016: £199,095,004).

The Group loss on ordinary activities before taxation was £10,369,497 (2016: loss £1,603,808). The loss attributable to the PGA European Tour parent company, which excludes the share of Ryder Cup losses owned by third parties, amounted to £7,242,228 (2016: loss £1,936,578).

The loss for the year has been financed by utilising some of the brought forward cash balances and has been transferred from reserves. The company's Articles prohibit the distribution of its reserves.

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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*Review of the Year (continued)*

In terms of the Group's cash flow, PGA European Tour continues to have a strong cash position. As at the end of 2017 the Group had cash balances of £24,623,216 (2016: £15,714,229). These cash reserves will continue to be used to finance the Group's day to day operations and to further invest in the expansion of the PGA European Tour's operations, the development of prize funds and the advancement of a robust sustainable business model.

**Principal risks and uncertainties**

The future prosperity of the PGA European Tour Group of companies 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. PGA European Tour competes with other sports and also other golf tours for sponsorship and other related commercial income. It is important that PGA 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.

The main risks arising from the Group's activities are as follows:

- 1) TV broadcasting market changes resulting in a challenge to TV income streams.
- 2) Golf sponsorship becomes less compelling and sponsorship values decline.
- 3) The financial and operational health of the promoter network comes under pressure.
- 4) The attractiveness of the Ryder Cup to both the commercial market and the wider membership declines.
- 5) An integrity issue occurs.
- 6) An act of terrorism, conflict or war occurs affecting PGA European Tour's schedules, members or staff.

These and other risks faced by PGA European Tour are reviewed by the executive leadership team at least quarterly and further assessed by the Audit & Risk Committee before appropriate mitigating actions are agreed and implemented.

**Financial Risk Management**

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.

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.

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. Details of financial instruments entered into are included in note 15.

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.

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Key performance indicators**

*Summary of key performance indicators*

The Board of the PGA European Tour has developed key performance indicators to enable the measurement of financial and operational performance. The financial key performance indicators are listed below:

- Profit / loss on ordinary activities before taxation
- Prize fund payable to the members

The board have also identified an expanded suite of non-financial key performance indicators. These key performance indicators are as follows:

- Playing opportunities
- Top-ranked player participation and average annual strength of field rating
- Stakeholder satisfaction

These indicators will be used to monitor the business and the progress of PGA European Tour. They also form an integral part of the executive and staff reward programmes.

Further analysis of key performance indicators has not been disclosed as in the opinion of the directors' it would be prejudicial to the business to present this information.

**Strategy Review**

PGA European Tour has three key guiding philosophies under the overall vision of "Leading the transformation of global golf".

- Player first: recognising that our members are our stars and generate the content that attracts partners and fans to the European Tour International Schedule. Our priority as a business is to be player focussed to ensure our members want to play on the European Tour International Schedule week in week out.
- An entertainment company: the PGA European Tour is a world-class entertainment company. Reflecting this, we are focused on producing enhanced and innovative entertainment content for our fans and took control of PGA European Tour Productions Limited in 2017.
- A global business: the 2017 European Tour International Schedule comprised of 47 events in 26 countries, and we are evolving our organisation to reflect the truly global nature of our business.

# PGA EUROPEAN TOUR

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Future developments for the Group

PGA European Tour is part way through a journey to transform its operations to deliver more value to its entire membership.

2018 will be another year of significant investments made in developing the following areas of its operations:

- PGA European Tour will continue to grow playing opportunities and top player participation through the creation of new events and the development of the Rolex series. PGA European Tour will continue to invest in its digital platform, digital content, short form events and broadcast innovations to further enhance fan engagement and broaden appeal to a wider fan base.
- PGA European Tour will continue to work with, and further co-operate with, global partners and other regional tours to grow its event portfolio outside of Europe and strengthen worldwide relationships.
- PGA European Tour will continue to professionalise its commercial operations with a centralised commercial partnerships team and a dedicated ticketing and hospitality function, including additional sales resource and further investment into understanding the wider sponsorship market place and the commercial and strategic objectives of the PGA European Tours sponsors.
- PGA European Tour has a clear plan in place for delivering a successful Ryder Cup in 2018, including a transformed 2018 global commercial programme.
- PGA European Tour continues to operate in a disciplined manner and has made recent investments in additional key staff in the fields of Human Resources, Finance, Technology, Commercial and Content.

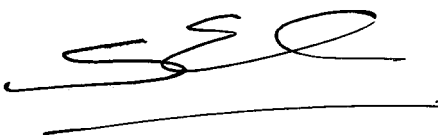
#### Budgeting cycle and outlook

The financial planning for PGA European Tour is carried out over four-year cycles. 2015 marked the start of the new cycle which included the away Ryder Cup in 2016 and which will finish with the home Ryder Cup in Paris in 2018.

Media and sponsorship have historically been the key annual contributors to the net income of PGA European Tour with the Ryder Cup having its most significant impact during a home match year.

With the benefit of a significant profit being generated by the staging of a successful home Ryder Cup in France in 2018, it is anticipated that the Group will break even over the current four year cycle.

PGA European Tour is seeking to further develop other income streams to augment its financial position beyond the current cycle.



By order of the board  
S E Gordon  
Secretary  
26 March 2018  
Company no: 01867610

# **PGA EUROPEAN TOUR**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report together with the audited consolidated and company only financial statements for the year ended 31 December 2017.

#### **Principal activities**

The PGA European Tour Group operates a broad range of business initiatives essential to its primary mission of administering professional tournament golf. It is a unique business which generates income for the benefit of its members, the tournament players, who receive their returns by way of competing and winning prize money. The Group operates the European Tour which is the primary golf tour in Europe and also comprises sanctioned tournaments in Australia, Asia, Africa and the Middle East. The Group operates three of the leading men's professional golf tours in these regions, namely the European Tour, the Challenge Tour and the Senior Tour.

#### **Overseas branches**

The Group continued to trade from its branches in Spain, Hong Kong, Korea, France and its representative office in China.

#### **Results**

The Group loss for the financial year after taxation attributable to the parent company amounted to £7,242,228 (2016: £1,936,578).

#### **Charitable donations**

Donations to charitable organisations during the year amounted to £291,734 (2016: £586,651). The Group actively seeks to support bodies engaged in the development of golf and also supports the European Tour Foundation which is the charitable foundation of the European Tour and its members.

#### **Directors**

The directors who served the company during the year and up to the date of signing the financial statements, unless otherwise stated, are named below.

D G Williams (Chairman)  
P Eales  
C L H Hanell  
D Jones  
R W Lee  
J E O'Leary  
M A Roe  
D J Russell  
O Sellberg  
J S Spence

The following are regarded as shadow directors under the Companies Act 2006.

K Pelley  
J af Rosenborg  
M Brass (appointed 26 March 2018)  
D Buffini  
S Goldschmidt (resigned 31 December 2017)  
P McGinley



**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Directors' liabilities**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and 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 the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as each director is aware, there is no relevant audit information of which the Group and parent company's auditor is unaware; and
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

**Audit and Risk Committee**

The Group's Independent auditors for the year ended 31 December 2017 were PricewaterhouseCoopers LLP. The board has appointed an audit and risk committee comprising of two board and/or shadow directors, at least one of whom is selected from the player representation of the Board of Directors.

For the purpose of outlining and specifying the functions of the Committee, an activity wheel is prepared which must be approved by the Board of Directors once a year. The activity wheel also comprises the ongoing self-evaluation of the Committee's work and members. The self-evaluation is submitted to the Chairman of the Board of Directors via the Committee's chairman and forms part of the Board of Directors' own self-evaluation.

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Audit and Risk Committee (continued)**

The Committee meets approximately four times a year. The Chief Financial Officer is invited to present in each meeting, to which the Chief Executive Officer, Chairman of the Board of Directors and the Audit Partner are also invited by the Audit and Risk Committee Chair.

At least one meeting per year, or part thereof, takes place where the Committee meets with the external auditors without the presence of the company's executive team.

The overall tasks and duties of the Committee are to:

- monitor the financial reporting process and the statutory audit of the financial statements;
- challenge where necessary the actions and judgements of the management with particular reference to compliance, critical accounting policies and practices, decisions requiring significant areas of judgement, possible impairments of the Group's assets, the clarity of disclosures, significant audit adjustments and the basis for the going concern assumption;
- review management's or external reports on the effectiveness of the Group's internal control system;
- review the company's procedure for detecting fraud and whistleblowing;
- consider and make recommendations to the Board on the nature and the extent of the key risks the company faces, as set out on page 2, in achieving its strategic objectives and review how to mitigate these risks; and
- review and monitor the independence, objectivity and effectiveness of the external auditors and make recommendations to the Board of Directors on election/re-election of the external auditor.

The members of this committee throughout 2017 were Jutta af Rosenborg (Audit & Risk Committee Chair) and Paul Eales.

**Remuneration Committee**

The board has appointed a remuneration committee comprising of three board and/or shadow directors, at least two of whom are selected from the player representation of the Board of Directors.

The committee is responsible to the Board for setting and reviewing a remuneration policy which in particular focuses on a fair remuneration for Executives and Senior Managers thereby enabling PGA European Tour to recruit, retain, motivate and engage high calibre senior staff to deliver its business objectives globally.

The members of this committee throughout 2017 were Ove Sellberg (Remuneration Committee Chair), David John Russell and Sophie Goldschmidt. On 31 December 2017, Sophie Goldschmidt resigned her position and Christopher Hanell has since been appointed as an interim member. Except when specifically conflicted, the Chief Executive Officer and PGA European Tour Chairman are invited to participate at each meeting. Susan Gordon, Chief People & Legal Officer also advises the committee. The committee meet approximately six times per year.

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 based on appropriate market comparisons taking into account individuals' responsibilities and experience. In 2017, all employees participated in an annual bonus scheme with the potential to receive additional compensation based on the achievement of corporate and personal KPIs. A long-term incentive plan was also established from 2016 which rewards the executive leadership team for performance over the four-year budgeting cycle. This plan is linked to the achievement of the key performance indicators referred to within the strategic report.

# **PGA EUROPEAN TOUR**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **Nomination Committee**

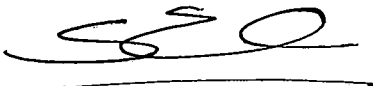
Where a Board or senior executive appointment is to be undertaken, the committee oversees the preparation of a position specification, conducts a rigorous search and selection process using specialist recruitment consultants as applicable, interviews and assesses potential candidates and then recommends the preferred candidate to the Board.

The Nomination Committee meets periodically, inviting external advisers as required.

#### **Independent Auditors**

PricewaterhouseCoopers LLP were appointed as Independent Auditors of the PGA European Tour in June 2016 following an extensive tender process.

BY ORDER OF THE BOARD



S E Gordon  
Secretary

26 March 2018  
Company no: 01867610

# **Independent auditors' report to the members of PGA European Tour**

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## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, PGA European Tour's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2017; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

## ***Independent auditors' report to the members of PGA European Tour***

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Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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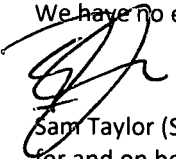
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

  
Sam Taylor (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading

4 May 2018

**PGA EUROPEAN TOUR**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017	2016
		£	£
<b>Turnover</b>			
Total	5	<b>210,923,300</b>	199,095,004
Less: joint venture companies		<b>(43,167,365)</b>	(49,923,891)
<b>Turnover</b>		<b>167,755,935</b>	149,171,113
Less: administrative expenses		<b>(178,847,923)</b>	(152,146,894)
<b>Operating loss</b>		<b>(11,091,988)</b>	(2,975,781)
Share of profits of joint ventures		<b>665,334</b>	1,205,436
Interest receivable and similar income		<b>57,157</b>	166,537
<b>Loss before taxation</b>	6	<b>(10,369,497)</b>	(1,603,808)
Tax on loss on ordinary activities	8	<b>1,292,893</b>	444,526
Share of tax on profits less losses of joint ventures	8	<b>(469,004)</b>	(293,857)
<b>Loss for the financial year</b>		<b>(9,545,608)</b>	(1,453,139)
Attributable to:			
The parent company		<b>(7,242,228)</b>	(1,936,578)
Non-controlling interests	23	<b>(2,303,380)</b>	483,439
<b>Loss for the financial year</b>		<b>(9,545,608)</b>	(1,453,139)

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

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements.

# PGA EUROPEAN TOUR

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		£	£
<b>Loss for the financial year</b>		<b>(9,545,608)</b>	<b>(1,453,139)</b>
Fair value movement on derivative	15	<b>82,842</b>	108,094
Currency translation differences	17	<b>5,400</b>	-
True and fair value override	17	<b>119,611,361</b>	-
<b>Total comprehensive expense for the year</b>		<b>110,153,995</b>	<b>(1,345,045)</b>
Attributable to:			
The parent company		<b>112,455,749</b>	<b>(1,829,015)</b>
Non-controlling interests		<b>(2,301,754)</b>	483,970
<b>Total comprehensive expense for the year</b>		<b>110,153,995</b>	<b>(1,345,045)</b>

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


**PGA EUROPEAN TOUR**

**REGISTERED NUMBER 01867610**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Note	2017	2016
		£	£
<b>Fixed assets</b>			
Intangible assets	9	<b>292,059,263</b>	829,161
Goodwill	9	<b>570,891</b>	74,026
Negative goodwill	9	<b>(121,662,793)</b>	-
		<b>(121,091,902)</b>	74,026
Tangible assets	10	<b>1,216,846</b>	1,354,098
Investments in joint ventures:	11	<b>329,947</b>	833,879
		<b>172,514,154</b>	3,091,164
<b>Current assets</b>			
Debtors: Amounts falling due within one year	12	<b>45,172,310</b>	30,156,166
Cash at bank and in hand		<b>24,623,216</b>	15,714,229
		<b>69,795,526</b>	45,870,395
<b>Creditors: amounts falling due within one year</b>	13	<b>(69,371,457)</b>	(33,814,008)
<b>Net current (liabilities) / assets</b>		<b>424,069</b>	12,056,387
<b>Total assets less current liabilities</b>		<b>172,938,223</b>	15,147,551
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(47,636,677)</b>	-
<b>Net assets</b>		<b>125,301,546</b>	15,147,551
<b>Capital and reserves</b>			
Capital reserve		<b>159,055</b>	159,055
Other reserves	17	<b>119,695,541</b>	(4,062)
Profit and loss account		<b>9,652,801</b>	16,895,029
<b>Equity attributable to the parent company</b>		<b>129,507,397</b>	17,050,022
Non-controlling interests	23	<b>(4,205,851)</b>	(1,902,471)
<b>Total equity</b>		<b>125,301,546</b>	15,147,551

The financial statements on pages 11 to 41 were approved by the Board of Directors on 26 March 2018 and signed on its behalf by:

  
**D G Williams**  
Chairman

**D Jones**  
Director




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



**PGA EUROPEAN TOUR****REGISTERED NUMBER 01867610****COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	9	1,066,306	829,161
Tangible assets	10	1,216,846	1,354,098
Investments	11	2,568,534	503,503
		<b>4,851,686</b>	<b>2,686,762</b>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	12	37,410,975	32,087,677
Cash at bank and in hand		7,908,468	13,060,427
		<b>45,319,443</b>	<b>45,148,104</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(43,616,922)</b>	<b>(38,513,464)</b>
<b>Net current assets</b>		<b>1,702,521</b>	<b>6,634,640</b>
<b>Total assets less current liabilities</b>		<b>6,554,207</b>	<b>9,321,402</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(380,088)</b>	-
<b>Net assets</b>		<b>6,174,119</b>	<b>9,321,402</b>
<b>Capital and reserves</b>			
Capital reserve		182,681	182,681
Hedging reserve		78,780	-
		<b>261,461</b>	<b>182,681</b>
<b>Profit and loss account</b>			
At 1 January 2017		9,138,721	12,128,781
Loss for the year attributable to the owners		(3,226,063)	(2,990,060)
		<b>5,912,658</b>	<b>9,138,721</b>
<b>Total equity</b>		<b>6,174,119</b>	<b>9,321,402</b>

The financial statements on pages 11 to 41 were approved by the Board of Directors on 26 March 2018 signed on its behalf by:

  
**D G Williams**  
 Chairman

**D Jones**  
 Director



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

# PGA EUROPEAN TOUR

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss for the financial year		(9,545,608)	(1,453,139)
Adjustments for:			
- Amortisation of intangible assets	9	56,988	14,460
- Depreciation of tangible assets	10	470,477	475,748
- (Profit)/Loss on disposal of fixed assets	10	(64,262)	11,081
- Share of profits less losses of joint ventures		(665,334)	(1,205,436)
- Interest received		(57,157)	(166,537)
- Foreign exchange loss/gain		142,029	(110,479)
- Taxation		(823,889)	(150,669)
- Decrease/(increase) in trade and other debtors		(4,645,352)	(11,845,312)
- (Decrease)/increase in trade creditors		16,728,531	17,142,294
Cash generated from operations		1,596,423	2,712,011
Income taxes (paid) / received		380,817	(113,849)
Profit share distribution from Ryder Cup Europe LLP to non-controlling interests		-	(357,000)
Net cash generated from operating activities		1,977,240	2,241,162
Cash flows from investing activities			
Purchase of subsidiaries net of cash acquired	24	6,984,180	-
Proceeds from sale of tangible assets		91,142	12,000
Purchases of tangible assets	10	(360,105)	(361,271)
Purchases of intangible assets	9	(283,558)	(833,046)
Interest received		57,157	166,537
Dividends received from joint venture companies		584,960	425,000
Net cash generated from/(used in) investing activities		7,073,776	(590,780)
Net increase in cash and cash equivalents		9,051,016	1,650,382
Foreign exchange translation adjustment		(142,029)	110,479
Net movement in cash balances		8,908,987	1,760,861
Cash and cash equivalents at the beginning of year		15,714,229	13,953,368
Cash and cash equivalents at end of year		24,623,216	15,714,229

Current asset investments are considered to be cash equivalents.

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

The company is a qualifying entity for the purpose of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

**PGA EUROPEAN TOUR**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Capital reserve	Other reserves	Profit and loss account	Equity attributable to the parent	Non- controlling interests	Total equity
	£	£	£	£	£	£
<b>At 1 January 2016</b>	159,055	(112,156)	18,831,607	18,878,506	(2,028,910)	16,849,596
(Loss)/profit for the financial year	-	-	(1,936,578)	(1,936,578)	483,439	(1,453,139)
Other comprehensive income:						
Fair value movement on derivative	-	108,094	-	108,094	-	108,094
Total comprehensive (expense)/income for the year	-	108,094	(1,936,578)	(1,828,484)	483,439	(1,345,045)
Profit share distribution from Ryder Cup Europe LLP to non-controlling interests	-	-	-	-	(357,000)	(357,000)
<b>At 31 December 2016</b>	159,055	(4,062)	16,895,029	17,050,022	(1,902,471)	15,147,551
Loss for the financial year	-	-	(7,242,228)	(7,242,228)	(2,303,380)	(9,545,608)
Fair value override	-	119,611,361	-	119,611,361	-	119,611,361
Other comprehensive income:						
Translation reserve	-	5,400	-	5,400	-	5,400
Fair value movement on derivative	-	82,842	-	82,842	-	82,842
Total comprehensive income / (expense) for the year	-	119,699,603	(7,242,228)	112,457,375	(2,303,380)	110,153,995
Profit share distribution from Ryder Cup Europe LLP to non-controlling interests	-	-	-	-	-	-
<b>At 31 December 2017</b>	159,055	119,695,541	9,652,801	129,507,397	(4,205,851)	125,301,546

**PGA EUROPEAN TOUR**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Capital Reserve £</b>	<b>Hedging Reserve £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2016</b>	182,681	(106,767)	12,128,781	12,204,695
Loss for the financial year	-	-	(2,990,060)	(2,990,060)
Other comprehensive income:				
Fair value movement on derivatives	-	106,767	-	106,767
Total comprehensive expense for the year	-	106,767	(2,990,060)	(2,883,293)
<b>At 31 December 2016</b>	182,681	-	9,138,721	9,321,402
Loss for the financial year	-	-	(3,226,063)	(3,226,063)
Other comprehensive income:				
Fair value movement on derivative	-	78,780	-	78,780
Total comprehensive income / (expense) for the year	-	78,780	(3,226,063)	(3,147,283)
<b>At 31 December 2017</b>	182,681	78,780	5,912,658	6,174,119

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1 COMPANY INFORMATION**

PGA European Tour is a private company limited by guarantee and registered in England and Wales at its registered office of European Tour Building, Wentworth Drive, Virginia Water, Surrey, GU25 4LX under company number 01867610.

**2 BASIS OF PREPARATION**

The Group and parent company financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the modification to a fair value basis for the forward contracts, as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements. The parent company’s loss for the financial year was £3,226,063 (2016: loss £2,990,060) and the comprehensive expense including the derivative fair value movement for the year was £3,147,283 (2016: expense £2,883,293).

The parent company has also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - categories of financial instruments;
  - items of income, expenses, gains or losses relating to financial instruments; and
  - exposure to and management of financial risks.

**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 strategic report on pages 1 to 4. The Group has considerable financial resources in both parent and subsidiary companies. The directors have reviewed the forecasts and projections for the Group and have concluded 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. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Basis of consolidation**

The consolidated financial statements include those of the company, its subsidiary undertakings, and joint ventures drawn up to 31 December 2017. All Group companies have a financial year end date of 31 December with the exception of EurAsia Cup SDN.BHD, a joint venture between PGA European Tour and the Asian Tour which has a financial year end date of 30 June. Acquisitions of subsidiaries are accounted for using the acquisition method. 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**3 SIGNIFICANT JUDGEMENTS AND ESTIMATES**

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. Judgements and estimates are continually re-assessed and are based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Income recognition**

Within the Group there are a number of long term sponsorship contracts. Sponsors receive exposure and other benefits as the events they sponsor take place. With the exception of Ryder Cup which is detailed below, the Group allocates revenue over the life of these contracts by allocating revenue to each event and recognising it as the event occurs.

The Ryder Cup income received during the year is deferred when it relates directly to the next European home Ryder Cup match. Since these revenues relate to long-term contracts for services provided over both match and non-match years, the income is recognised based on the rate at which Ryder Cup Europe LLP obtains the right to consideration in exchange for its performance under the terms of each contract. In normal circumstances income in connection with the granting of television rights under long-term contracts is recognised in match years in line with the screening of the match.

Ryder Cup Europe LLP recognises revenue under fair value model in relation to sponsorship which is linked to the exposure given by the Ryder Cup matches. Long-term revenue contracts are recognised on a percentage completion basis in line with costs incurred in delivering the contract. Revenue from TV, ticketing, and hospitality is recognised in the year in which the match occurs.

**Provisions against debtors**

The Group operates globally with a diverse set of clients. The ability to collect receivables is assessed on an ongoing basis. A provision for a poorly performing debt is made for any account considered to be doubtful of collection.

Any provision is made based on a review of all outstanding accounts as at the reporting date. A considerable amount of judgement and estimate is required in assessing the ultimate realisation of these receivables, including the creditworthiness, the past collection history of each customer and subsequent collection up to date of report.

**Depreciation and amortisation rates**

The Group depreciates or amortises its tangible and intangible fixed assets over their estimated useful lives, as more fully described in the accounting policies for Intangible and Tangible assets in section 4.1 and 4.2 below. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, developments in the wider business and maintenance programmes.

**Taxation**

The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes, deferred tax assets and liabilities recognised in the consolidated financial statements. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods. Details on the tax charge and assets and liabilities recorded are set out in note 8.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)**

**Legal claims**

The Group is, from time to time and in the normal course of business, subject to legal claims, actions or proceedings. When such circumstances arise, management consider the likelihood of a material outflow of economic resources and provides for its best estimate of costs where an outflow of economic resources is considered probable.

By their nature, provisions may reflect significant levels of judgement or estimate. While there can be no assurances, management believe, based on information currently available to them, that the likelihood of material unprovided outflows is remote.

**Fair values on acquisition of PGA European Tour Productions Limited**

The fair value of tangible and intangible assets acquired on the acquisition of PGA European Tour Productions Limited involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. In addition the use of discount rates requires judgement.

**True and fair value override**

The true and fair override is to account for the joint venture agreement already in place, this reduces the amount of negative goodwill to represent the interest in the company already held. Use of the true and fair override is judgemental and requires consideration of the most appropriate presentation for the transaction.

**4 PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these group and parent company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**4.1. Intangible assets**

PGA European Tour's intangible assets consist of:

- goodwill arising on acquisitions;
- intellectual property rights; and
- software.

All intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method.

Software is amortised over 5 years. Goodwill arising on control of Ryder Cup Europe LLP is amortised over 20 years. PGA European Tour Productions Limited is also being amortised over 20 years being the term of the production and media distribution contract signed on acquisition. Goodwill on the acquisition of FF Golf Production will be amortised over 4 years being the term of the license agreement acquired.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**4.2. Tangible assets**

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Motor vehicles	4 years
- Building improvements	20 years
- Office and computer equipment	3 years
- Furniture & fittings	7 years
- Field equipment	4-7 years
- Freehold buildings	50 years

**4.3. Impairment of assets**

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**4.4. Investments in subsidiaries, joint ventures and associates**

The Group's investments in subsidiaries, joint ventures and associates are listed in note 11.

A subsidiary is an entity over which the Group has control, typically by owning over 50% of the shares and controlling over 50% of the voting rights.

The parent company statement of financial position shows investments in subsidiaries at cost.

A joint venture is 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 income statement. The consolidated statement of financial position includes the investment in joint ventures at the Group's share of net assets. The company statement of financial position shows the investment in joint ventures at cost.

An associate is an entity over which the Group exercises significant influence, but not control (subsidiaries) or joint control under a contractual agreement (joint ventures).

Investments in associates are measured in both the consolidated and individual financial statements at cost less any accumulated impairment losses.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**4.5. Cash**

Cash at bank and in hand is the total amount of money on deposit with a bank or other financial institution. This includes only amounts in current accounts that can be withdrawn on demand, and amounts in deposit accounts which can be withdrawn within a 24 hour period without penalty.

Current asset investments include cash equivalents that have been placed on longer term deposit accounts and that cannot be accessed without notice or penalties being incurred.

**4.6. Debtors**

Short term debtors are measured at the transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**4.7. Creditors**

Short term trade creditors are measured at the transaction price.

**4.8. Leases**

All of the Group's leases have been classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

**4.9. Derivative financial instruments**

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated as a hedging instrument, in which case the effective portion of the hedge is shown within Other Comprehensive Income. The forward contracts described in note 15 have been designated as hedging instruments, with the exception of PGA European Tour Productions Limited.

Hedge accounting is discontinued when either the Group revokes the hedging relationship, or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At this point the hedging reserve balance relating to that item is transferred back into the profit and loss account.

When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**4.10. Provisions for liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employees are not usually entitled to carry forward any unused annual leave and therefore the Group does not recognise a provision for unused annual leave.

**4.11. Taxation**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to offset current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.12. Turnover**

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 male professional golfers.

Turnover is the total amount receivable by the Group for goods and services provided whilst conducting its principal activities, excluding VAT and trade discounts.

Income recognition policies for specific income streams are as follows:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**Prize money**

One of the Tour's principal activities is to encourage compelling tournaments which attract significant prize funds from promoters and sponsors. Prize funds collected are shown within turnover as the tournaments take place. Prize funds paid to players are shown with operating expenses at the same time.

**Sanction fees**

The Group collects sanction fees in exchange for licensing tournaments and adding them to the European Tour schedules. These are recognised as the related event takes place.

**Sponsorship income**

With the exception of Ryder Cup which is detailed below, the Group allocates revenue over the life of sponsorship contracts by allocating revenue to each event and recognising it as the event occurs.

**Television rights income**

Television income from the negotiated sale of live and non-live television rights is recognised in the period during which the associated event takes place.

**Television production income**

Income for live television productions is recognised in the period during which the broadcast or other distribution takes place and derives from a number of sources including broadcasters and event promoters.

**Tournament staging income**

Ticket income and the sale of hospitality packages for tournaments promoted by the Group are recognised as income when the related event is staged.

**Membership and entry fee income**

Annual memberships are recognised as income in the year to which the membership relates. Entry fees for tournaments are recognised in the year in which the tournament occurs.

**Ryder Cup Europe LLP income**

Income received during the year is deferred when it relates directly to the next European home Ryder Cup match. Since these revenues relate to long-term contracts for services provided over both match and non-match years, the income is recognised based on the rate at which Ryder Cup Europe LLP obtains the right to consideration in exchange for its performance under the terms of each contract. In normal circumstances income in connection with the granting of television rights under long-term contracts is recognised in match years in line with the screening of the match.

Ryder Cup Europe LLP recognises revenue under fair value model in relation to sponsorship which is linked to the exposure given by the Ryder Cup matches. Long-term revenue contracts are recognised on a percentage completion basis in line with costs incurred in delivering the contract. Revenue from TV, ticketing, and hospitality is recognised in the year in which the match occurs.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**4.13. Employee benefits**

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Termination payments are recognised when the PGA European Tour becomes committed to making a redundancy which would trigger a termination payment.

As detailed in note 7, the company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider.

**4.14. Foreign currency translation**

**Functional currency and presentation currency**

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

**Transactions and balances**

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the date of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements, exchanged differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

**Translation of Group companies**

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of Group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

**Business combinations and goodwill**

The fair value of any business combination is the consideration given, liabilities incurred or assumed plus the costs directly attributable to the business combination. Fair values have been attributed to the identifiable assets and liabilities of any business combination. Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets and liabilities.

## PGA EUROPEAN TOUR

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2017

##### 5 TURNOVER

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

##### 6 LOSS BEFORE TAXATION

The loss before taxation is stated after:

	2017 £	2016 £
Auditors' remuneration:		
Fees payable to the parent company's auditors for the audit of the company's annual financial statements	79,000	65,000
Fees payable to the company's auditors and its associates for other services:		
Audit of the financial statements of subsidiaries	28,000	25,000
Tax compliance services	21,000	21,000
Tax advisory services	89,107	103,157
Other assurance services	-	70,592
Impairment of trade receivables	(79,386)	-
Amortisation of intangible assets	56,988	14,460
Depreciation of tangible assets	470,477	475,748
Foreign exchange losses/(gains)	652,425	(890,362)
Other operating lease rentals	110,243	139,142

##### 7 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2017 £	2016 £
Wages and salaries	18,976,531	16,943,429
Social security costs	1,803,530	2,071,616
Other pension costs	1,210,408	1,120,539
	21,990,469	20,135,584
Less amounts recharged to related undertakings	(1,229,579)	(1,193,859)
	20,760,890	18,941,725

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pensions provider. Pension payments recognised as an expense during the year amount to £1,210,408 (2016: £1,120,539).

Net staff costs for 2017 include costs of £2,085,911 (2016: £1,724,181) relating to Ryder Cup Europe LLP.

Total staff costs include the long-term incentive plan of £2,117,643 (2016: £2,165,534). This was established from 2017 which rewards the executive leadership team for performance over a three year cycle.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2017

## DIRECTORS AND EMPLOYEES (CONTINUED)

The average number of employees during the year was as follows (2016: 225).

	2017 No.	2016 No.
Administration	74	59
Field and operations	115	111
Commercial	77	55
	<u>266</u>	<u>225</u>

In addition, the average number of retained consultants of the Group during the year was 32 (2016: 27).

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

	2017 £	2016 £
Emoluments	3,195,516	3,025,596
Pension contributions to money purchase pension schemes	58,500	55,000
	<u>3,254,016</u>	<u>3,080,596</u>

Under FRS102 we are also required to disclose remuneration in respect of key management personnel. The board are of the opinion that key management personnel are the directors and shadow directors and therefore there is no additional disclosure required.

The number of directors, including those deemed to be shadow directors, who were members of the company pension scheme during the year was 1 (2016: 1).

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2017 £	2016 £
Emoluments	2,725,517	2,495,903
Pension contributions to money purchase pension schemes	58,500	55,000
	<u>2,784,017</u>	<u>2,550,903</u>

Emoluments include the long-term incentive plan of £1,666,667 (2016: £1,704,359).

## 8 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the financial year and represents:

	2017 £	2016 £
UK Corporation Tax		-
Adjustment in respect of prior year	(9,649)	(12,181)
Losses utilised against prior year tax paid	-	-
Overseas taxation	20,382	90,555
Total current tax	10,733	78,374
Deferred taxation: origination and reversal of timing differences	(1,392,658)	(549,606)
Deferred taxation: changes in tax rates	77,586	2,002
Effect of change in tax rates	11,446	24,704
Share of joint ventures' current tax	469,004	293,857
Tax on results on ordinary activities	<u>(823,889)</u>	<u>(150,669)</u>

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19.25% (2016: 20.00%). The differences are explained as follows:

	2017 £	2016 £
Loss on ordinary activities before tax	(10,369,497)	(1,603,808)
Share of profits less losses of joint ventures	(665,334)	(1,205,436)
Loss on ordinary activities before joint ventures and tax	<u>(11,034,831)</u>	<u>(2,809,244)</u>
Loss on ordinary activities before joint ventures multiplied by standard rate of corporation tax in the United Kingdom of 19.25% (2016: 20.00%)	(2,124,205)	(561,849)
Expenses not deductible for tax purposes	249,477	260,599
Current year losses available for carry back	15,143	-
Losses attributable to non-controlling interests	490,811	3,569
Other differences	11,446	(224,391)
Adjustment in respect of prior year	24,321	(10,178)
Overseas tax differences	40,114	87,724
Share of joint ventures' current tax	469,004	293,857
Tax on results on ordinary activities	<u>(823,889)</u>	<u>(150,669)</u>

Changes to the UK corporation tax rates were enacted as part of the Finance (No.2) Act 2015 which received Royal Assent on 18 November 2015 and the Finance Act 2016 which received Royal Assent on 15 September 2016. These include reductions to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

## 9 INTANGIBLE FIXED ASSETS

The Group	Goodwill		Intellectual property rights	Title rights	Software	Total
	Goodwill £	Negative Goodwill £	£	£	£	£
<b>Cost</b>						
At 1 January 2017	1,557,788	-	3,795,012	686,054	833,046	6,871,900
Additions through acquisition (note 24)	507,440	(121,662,793)	290,435,357	-	557,600	169,837,604
Additions	-	-	-	-	22,650	22,650
Additions – work in progress	-	-	-	-	260,908	260,908
At 31 December 2017	2,065,228	(121,662,793)	294,230,369	686,054	1,674,204	176,993,062
<b>Accumulated amortisation and impairment</b>						
At 1 January 2017	1,483,762	-	3,795,012	686,054	3,885	5,968,713
Charge for the year	10,575	-	-	-	46,413	56,988
At 31 December 2017	1,494,337	-	3,795,012	686,054	50,298	6,025,701
<b>Net book amount at 31 December 2017</b>	<b>570,891</b>	<b>(121,662,793)</b>	<b>290,435,357</b>	<b>-</b>	<b>1,623,906</b>	<b>170,967,361</b>
Net book amount at 31 December 2016	74,026	-	-	-	829,161	903,187

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

INTANGIBLE FIXED ASSETS (CONTINUED)

Amortisation of intangible fixed assets is included in administrative expenses.

The Group's goodwill relates to the acquisitions of

- Ryder Cup Europe LLP;
- European Golf Management Limited;
- European Open Golf Championship Limited;
- European Tour Hospitality Limited;
- European Tour Productions Limited; and
- FF Golf Production.

Software is amortised over 5 years. Goodwill arising on control of Ryder Cup Europe LLP and PGA European Tour Productions Limited are being amortised over 20 years. Goodwill on the acquisition of FF Golf Production will be amortised over 4 years.

The Company	Intellectual property rights £	Title Rights £	Software £	Total £
<b>Cost</b>				
At 1 January 2017	3,785,839	686,054	833,046	5,304,939
Additions	-	-	22,650	22,650
Additions: work-in-progress	-	-	260,908	260,908
At 31 December 2017	<u>3,785,839</u>	<u>686,054</u>	<u>1,116,604</u>	<u>5,588,497</u>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2017	3,785,839	686,054	3,885	4,475,778
Charge for the year	-	-	46,413	46,413
At 31 December 2017	<u>3,785,839</u>	<u>686,054</u>	<u>50,298</u>	<u>4,522,191</u>
<b>Net book amount</b>				
At 31 December 2017	<u>-</u>	<u>-</u>	<u>1,066,306</u>	<u>1,066,306</u>
Net book amount				
At 31 December 2016	<u>-</u>	<u>-</u>	<u>829,161</u>	<u>829,161</u>



# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10 TANGIBLE ASSETS

The Group	Motor vehicles £	Building improve- ments £	Office & computer equipment £	Furniture & fittings £	Field equipment £	Freehold buildings £	Total £
<b>Cost</b>							
At 1 January 2017	459,860	1,850,069	2,333,358	423,901	439,526	550,825	6,057,539
Additions	-	-	342,260	6,857	10,988	-	360,105
Disposals	-	-	-	-	-	(42,000)	(42,000)
At 31 December 2017	459,860	1,850,069	2,675,618	430,758	450,514	508,825	6,375,644
<b>Accumulated depreciation</b>							
At 1 January 2017	389,763	1,466,065	1,959,208	367,149	333,976	187,280	4,703,441
Charge for the year	38,192	76,466	307,994	11,800	21,435	14,590	470,477
Disposals	-	-	-	-	-	(15,120)	(15,120)
At 31 December 2017	427,955	1,542,531	2,267,202	378,949	355,411	186,750	5,158,798
<b>Net book amount at 31 December 2017</b>	<b>31,905</b>	<b>307,538</b>	<b>408,416</b>	<b>51,809</b>	<b>95,103</b>	<b>322,075</b>	<b>1,216,846</b>
Net book amount at 31 December 2016	70,097	384,004	374,150	56,752	105,550	363,545	1,354,098

The Company	Motor vehicles £	Building improve- ments £	Office & computer equipment £	Furniture & fittings £	Field equipment £	Freehold buildings £	Total £
<b>Cost</b>							
At 1 January 2017	459,860	1,850,069	2,333,358	423,149	439,526	550,825	6,056,787
Additions	-	-	342,260	6,857	10,988	-	360,105
Disposals	-	-	-	-	-	(42,000)	(42,000)
At 31 December 2017	459,860	1,850,069	2,675,618	430,006	450,514	508,825	6,374,892
<b>Accumulated depreciation</b>							
At 1 January 2017	389,763	1,466,065	1,959,208	366,397	333,976	187,280	4,702,689
Charge for the year	38,192	76,466	307,994	11,800	21,435	14,590	470,477
Disposals	-	-	-	-	-	(15,120)	(15,120)
At 31 December 2017	427,955	1,542,531	2,267,202	378,197	355,411	186,750	5,158,046
<b>Net book amount at 31 December 2017</b>	<b>31,905</b>	<b>307,538</b>	<b>408,416</b>	<b>51,809</b>	<b>95,103</b>	<b>322,075</b>	<b>1,216,846</b>
Net book amount at 31 December 2016	70,097	384,004	374,150	56,752	105,550	363,545	1,354,098

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

## INVESTMENTS

11

Total fixed asset investments comprise:

	The Group	The company
	2017	2017
	2016	2016
Interests in subsidiaries	-	2,510,742
Interests in joint ventures	329,947	100
Loans to subsidiaries	-	57,692
	<u>329,947</u>	<u>2,568,534</u>
	833,879	503,503
	£	£

These joint ventures are accounted for using the equity method.

## Interests in Subsidiaries

At 31 December 2017 the Group and the company had interests in the following subsidiaries:

Subsidiaries	Type of shares held	Proportion held (%)	Country of incorporation	Nature of business
PGA European Tour Enterprises Limited	Ordinary	100%	England and Wales	Dormant
PGA European Tour South SA	Bearer	100%	Spain	No longer trading
PGA European Tour Properties Limited	Ordinary	100%	England and Wales	No longer trading
PGA European Tour Property Holdings Limited	Ordinary	100%	England and Wales	Dormant
European Open Golf Championship Limited	Ordinary	100%	England and Wales	Dormant
European Golf Management Limited	Ordinary	100%	England and Wales	Golf course consultancy
PGA European Tour Productions Limited	Ordinary	100%	England and Wales	Television production and distribution of golf programmes
Ryder Cup Europe LLP	Partnership interest	60%	England and Wales	The promotion of the Ryder Cup
Ryder Cup Limited*	Ordinary	60%	England and Wales	The promotion of the Ryder Cup
Ryder Cup 2018 Commercial Limited	Ordinary	60%	England and Wales	The promotion of the Ryder Cup
FF Golf Production	Ordinary	100%	France	French Open operation
European Tour China Limited	Ordinary	100%	China	Representative office

\* 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### INVESTMENTS (CONTINUED)

PGA European Tour South SA is registered at Caldes de Malavella (Girona, Spain), Dr Furest i Roca 63, and Ryder Cup Limited is registered at Centenary House, The Belfry, Sutton Coldfield, West Midlands, B76 9PT. All other subsidiaries above are registered at European Tour Building, Wentworth Drive, Virginia Water, Surrey, GU25 4LX.

<b>The Company</b>	<b>Investment in subsidiaries £</b>
Cost	
<b>At 1 January 2017</b>	445,211
Additions	2,065,531
<b>At 31 December 2017</b>	<b>2,510,742</b>
<b>Net book amount at 31 December 2017</b>	<b>2,510,742</b>
Net book amount at 31 December 2016	445,211

The additions were in relation to the acquisition of FF Golf Production and the remainder of PGA European Tour Productions Limited (note 24).

#### Interests in joint ventures

At 2017 the Group and the company had interests in the following joint ventures:

<b>Joint ventures</b>	<b>Type of shares held</b>	<b>Proportion held (%)</b>	<b>Country of registration and operation</b>	<b>Nature of business</b>
European Golf Design Limited	Ordinary	50%	England and Wales	Design of golf courses
London Golf (European Tour) Limited	Ordinary	50%	England and Wales	The promotion of the London Golf Club
Eurasia Cup SDN.BHD	Ordinary	50%	Malaysia	Administration of Eurasia Cup

European Golf Design Limited is registered at European Tour Building, Wentworth Drive, Virginia Water, Surrey, GU25 4LX. London Golf (European Tour) Limited is registered at 1 Princeton Mews, 167-169 London Road, Kingston Upon Thames, Surrey, KT2 6PT. Eurasia Cup SDN.BHD is registered at Level 1.01A, Wisma Prosper, Block B, Kelana Centre Point, No 3 Jalan SS 7/19, 47301 Kelana Jaya, Petaling Jaya, Selangor, Malaysia.

<b>The Group</b>	<b>Share of net assets £</b>	<b>Cost £</b>	<b>Total £</b>
<b>Joint ventures</b>			
At 1 January 2017	833,279	600	833,879
Share of profits for the year after taxation	196,330	-	196,330
Dividend	(584,960)	-	(584,960)
Disposal	(114,802)	(500)	(115,302)
<b>At 31 December 2017</b>	<b>329,847</b>	<b>100</b>	<b>329,947</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2017

## INVESTMENTS (CONTINUED)

The Company	Investment in equity shares £	Total £
Cost		
At 1 January 2017	600	600
Disposal	(500)	(500)
At 31 December 2017	<u>100</u>	<u>100</u>

The disposal relates to the acquisition of the remaining shares in PGA European Tour Productions Limited, a former joint venture.

The year end date for Eurasia Cup SDN.BHD is 30 June which is different to the year end date for the rest of the Group which is 31 December.

## 12 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	29,276,129	21,007,348	20,616,384	19,944,798
Amounts owed by subsidiary undertakings	-	-	6,624,119	4,354,960
Amounts owed by joint ventures	5,000	649,652	5,000	642,645
Other debtors	3,008,789	1,155,860	85,212	1,155,858
Corporation tax receivable	249,373	1,366,228	252,012	1,364,530
Deferred tax (note 15)	-	587,223	1,866,397	576,491
Other taxation and social security	1,915,812	319,654	-	87,002
Prepayments and accrued income	10,262,634	5,070,201	7,883,071	3,961,393
Derivative financial instruments	454,573	-	78,780	-
	<u>45,172,310</u>	<u>30,156,166</u>	<u>37,410,975</u>	<u>32,087,677</u>

The gross value of trade debtors was £29,685,208 (2016: £21,522,402). A bad debt provision of £409,079 (2016: £515,054) has been made against this.

Amounts owed by subsidiary undertakings and joint ventures are unsecured, interest free and repayable on demand.

## 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	8,343,381	3,375,321	2,863,459	2,213,566
Amounts owed to related undertakings	2,112,352	2,047,016	10,904,973	9,413,694
Amounts owed to joint ventures	-	-	-	-
Other taxation and social security	5,472,381	2,332,838	3,804,753	2,318,019
Other creditors	22,808	40,720	22,808	37,596
Corporation tax	439	3,754	-	-
Derivative financial instruments	-	4,062	-	-
Accruals and deferred income	53,420,096	26,010,297	26,020,929	24,530,589
	<u>69,371,457</u>	<u>33,814,008</u>	<u>43,616,922</u>	<u>38,513,464</u>

Amounts owed to related undertakings and joint ventures are unsecured, interest free and repayable on demand.

# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 14 CREDITORS: AMOUNTS DUE AFTER ONE YEAR

	The Group		The Company	
	2017	2016	2017	2016
	£	£	£	£
<b>Amounts falling due between one and five years</b>				
Deferred tax	8,020,699	-	-	-
Accruals and deferred income	380,088	-	380,088	-
	<u>8,400,787</u>		<u>380,088</u>	
<b>Amounts falling due after five years</b>				
Deferred tax	39,235,890	-	-	-
	<u>39,235,890</u>		<u>-</u>	
<b>Total creditors due after more than one year</b>	<u>47,636,677</u>		<u>380,088</u>	

#### 15 DERIVATIVE FINANCIAL INSTRUMENTS

The foreign currency forward contracts outstanding as at the year-end were:

	Start Date	Exercise date	Fair value 2017 £	Fair value 2016 £
<b>Outstanding contracts</b>				
<b>PGA European Tour</b>				
Sell \$5,075,000 USD	Dec 17	Apr 18	31,576	-
Sell \$2,700,000 USD	Dec 17	May 18	16,857	-
Sell \$5,075,000 USD	Dec 17	Jul 18	30,347	-
<b>Total for company</b>			<u>78,780</u>	<u>-</u>
<b>PGA European Tour Productions Limited</b>				
Sell \$5,075,000 USD	Feb 17	Apr 18	244,494	-
Sell \$2,700,000 USD	Feb 17	May 18	131,299	-
			<u>375,793</u>	<u>-</u>
<b>Ryder Cup Europe LLP</b>				
Sell 750,000 euro	Aug 16	Jul 17	-	(4,062)
			<u>-</u>	<u>(4,062)</u>
<b>Total for Group</b>			<u>454,573</u>	<u>(4,062)</u>

A net gain of £82,842 (2016: £108,094) was recognised in other comprehensive income. No losses of in excess of the fair value of hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss, and the full amount of £4,062 (2016: £112,156) was released to the profit and loss when the hedged instruments matured.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2017

## 16 DEFERRED TAXATION

	The Group		The Company	
	2017	2016	2017	2016
	£	£	£	£
As at 1 January	587,223	64,384	576,491	65,536
Adjustment in respect of previous periods	309,595	(61)	(77,587)	2,002
Business combinations	(49,374,011)	-	-	-
Deferred tax credit to income statement for the year	1,220,604	522,900	1,367,493	508,953
As at 31 December	(47,256,589)	587,223	1,866,397	576,491
The deferred tax asset is made up as follows:				
Fixed asset timing differences	378,859	5,856	120,954	2,876
Acquired intangible assets	(49,374,011)	-	-	-
Short term timing differences - trading	778,380	473,139	838,000	473,139
Losses	960,183	108,228	907,443	100,476
	(47,256,589)	587,223	1,866,397	576,491

The amount of the net reversal of deferred tax expected to occur next year is £417,108 (2016: £587,223), relating to the reversal of existing timing differences on tangible fixed assets.

## 17 OTHER RESERVES

Other reserves consist of the following:

Group	Hedging reserve	Translation reserve	Fair value override	Total
	£	£	£	£
At 1 January 2017	(4,062)	-	-	(4,062)
Hedging gain	82,842	-	-	82,842
Translation of foreign subsidiary	-	5,400	-	5,400
Fair value override	-	-	119,611,361	119,611,361
At 31 December 2017	78,780	5,400	119,611,361	119,695,541

The fair value override arose as a result of the signing of the production and distribution rights agreement. This exemption has been taken as allowed by Appendix IV para A 4.21 of FRS 102.

## 18 CAPITAL AND OTHER COMMITMENTS

At 31 December, the Group had the following capital commitments:

	2017	2016
	£	£
Contract for the future provision of production and distribution rights;		
Not later than one year	13,000,000	-
Later than one year and not later than five years	55,632,150	-
Later than five years	336,667,736	-
	405,299,886	-

This commitment arose as a result of the agreement signed for production and distribution rights following the acquisition of the remainder of PGA European Tour Productions Limited.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2017

**19 OPERATING LEASE COMMITMENTS**

The Group and company's future minimum operating lease payments are as follows:

	2017 £	2016 £
Within one year	7,987	51,754
Between one and five years	5,600	1,120
	<u>13,587</u>	<u>52,874</u>

**20 CONTINGENT LIABILITIES**

Neither the Group nor the company had any material contingent liabilities at 31 December 2017 (2016: nil). 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 has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from preparing individual financial statements under Section 394A of the Companies Act 2006 in respect of the year ended 31 December 2017:

- European Tour China Limited
- European Golf Management Limited

**21 FINANCIAL INSTRUMENTS****Group**

	2017 £	2016 £
<b>The Group has the following financial instruments</b>		
<b>Financial assets/(liabilities) measured at fair value through profit or loss</b>		
Derivative financial instruments	454,573	(4,062)
	<u>454,573</u>	<u>(4,062)</u>
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Trade receivables	29,276,129	21,007,348
Amounts owed by joint ventures	5,000	649,652
Other receivables	3,008,789	1,155,860
Accrued income	7,422,836	3,413,094
	<u>39,712,754</u>	<u>26,225,954</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	8,343,381	3,375,321
Amounts owed to related undertakings	2,112,352	2,047,016
Other creditors	22,808	40,720
Accruals	20,894,408	12,860,079
Financial liabilities measured at amortised cost	<u>31,372,949</u>	<u>18,323,136</u>

**Company**

	2017 £	2016 £
<b>The company has the following financial instruments</b>		
<b>Financial assets measured at fair value through profit or loss</b>		
Derivative financial instruments	78,780	-
	<u>78,780</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

## FINANCIAL INSTRUMENTS (CONTINUED)

## Financial assets that are debt instruments measured at amortised cost

Trade receivables	20,616,384	19,944,798
Amounts owed by joint ventures	5,000	642,645
Amounts owed by related other undertakings	6,624,119	4,354,960
Other receivables	85,212	1,155,858
Accrued income	6,283,853	2,540,214
	<b>33,614,568</b>	<b>28,638,475</b>

## Financial liabilities measured at amortised cost

Trade creditors	2,863,459	2,213,566
Amounts owed to subsidiary undertakings	10,904,973	9,413,694
Other creditors	22,808	37,596
Accruals	16,632,020	11,975,886
Financial liabilities measured at amortised cost	<b>30,423,260</b>	<b>23,640,742</b>

## 22 TRANSACTIONS WITH RELATED PARTIES

PGA European Tour holds investments in a number of subsidiaries and joint ventures as disclosed in note 11. 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 paragraph 33.1A of FRS 102 and not disclosed transactions with wholly owned subsidiary undertakings.

## The Group

	2017			2016		
	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	41,257	-	(11,749)	3,693,860	31,706,684	1,232,501
European Golf Design Limited	19,600	-	-	13,914	-	(180)
London Golf Club Developments Limited	-	98,389	2,073	-	115,974	69,775
London Golf (European Tour) Limited	-	-	5,000	-	-	5,000
Tour Players Foundation Limited	93,010	-	(16,049)	61,941	-	(26,621)



# PGA EUROPEAN TOUR

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The Company	2017			2016		
	Purchases/ charges from £	Sales/ charges to £	Balance at year end £	Purchases/ charges from £	Sales/ charges to £	Balance at year end £
Ryder Cup Europe LLP	4,342,692	44,003	2,329,052	131,428	4,217,825	3,568,953
Ryder Cup Limited	-	-	110,610	-	-	110,610
European Golf Design Limited	19,600	-	-	13,914	-	(180)
London Golf(European Tour) Limited	-	-	5,000	-	-	5,000
Tour Players Foundation Limited	15,949	-	(16,049)	61,941	-	(26,621)

The company does not have a parent undertaking. The PGA European Tour is controlled by its Members.

The balance due to the company from European Golf Design Limited represents a loan. All other balances arose from trading, are unsecured and are repayable on demand.

Amounts due from Official World Golf Rankings Limited of £62,436 were fully provided for in previous years. The carrying value of the balance at the year end was £nil (2016: £nil) and no further amounts have been recognised in the income statement during the year.

#### 23 NON-CONTROLLING INTERESTS

	£
At 1 January 2017	(1,902,471)
Attributable to loss for the financial year	(2,303,380)
Profit share distribution in Ryder Cup Europe LLP	-
At 31 December 2017	<u>(4,205,851)</u>

The equity non-controlling interests relate to Ryder Cup Europe LLP and its subsidiaries, Ryder Cup Limited and Ryder Cup 2018 Commercial Ltd which was incorporated on 19 September 2016.

#### 24 BUSINESS COMBINATIONS

##### a) Acquisition of PGA European Tour Productions Limited

On 31 December 2017 PGA European Tour acquired all of Trans World International LLC's shares in PGA European Tour Productions Limited consequently becoming a fully owned subsidiary. Prior to this PGA European Tour owned 50% of PGA European Tour Productions Limited in a joint venture agreement and had accounted for the interest under the equity method of accounting. As part of this arrangement the group entered into a 20 year production and media distribution services agreement. This was not recognised as consideration as it is considered to be arm's length for the services provided. The schedule of commitments under this agreement can be seen in note 18. Management estimate the useful life of goodwill to be 20 years, being the length of time of the production and media distribution services agreement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2017

## BUSINESS COMBINATIONS (CONTINUED)

As PGA European Tour already owned 50% of the shares in PGA European Tour Productions Limited the group elected to apply the true and fair value override as permitted by FRS 102 to provide a better representation of the transaction. The true and fair override is to account for the joint venture agreement already in place, this reduces the amount of negative goodwill to represent the interest in the company already held. The goodwill should be calculated as the sum of goodwill arising from each purchase of an interest in the relevant undertaking adjusted as necessary for any subsequent impairment. Goodwill arising on each purchase is calculated as the difference between the cost of that purchase and the fair value at the date of that purchase of the identifiable assets and liabilities attributable to the interest purchased. The difference between the goodwill calculated using this method and that calculated using the method provided by the Regulations and FRS 102 is shown in reserves as a true and fair override in line with Appendix IV para A4.21 of FRS 102.

The following table summarises the consideration paid by the group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

## Consideration

	£
Cash paid	1,001
Cash received	(2,500,000)
Directly attributable costs	793,983
<b>Total consideration</b>	<b>(1,705,016)</b>

## Recognised amounts of identifiable assets acquired and liabilities assumed

		Book value £	Fair Value Adjustments £	Fair value £
Intangibles	(a)	557,600	288,499,196	289,056,796
Investments		3	-	3
Trade and other receivables		8,682,809	-	8,682,809
Prepayments and accrued income		935,105	-	935,105
Cash at bank and in hand		5,114,982	-	5,114,982
Trade and other payables		(4,494,293)	-	(4,494,293)
Accruals and deferred income		(10,792,169)	-	(10,792,169)
Deferred tax assets / (liabilities)	(b)	226,573	(49,044,863)	(48,818,290)
<b>Total identifiable net assets</b>		<b>230,610</b>	<b>239,454,333</b>	<b>239,684,943</b>
True and fair value override	(c)			(119,727,166)
Goodwill	(d)			(121,662,793)
<b>Total consideration</b>				<b>(1,705,016)</b>

The adjustments arising on acquisition were in respect of the following:

- (a) The recognition of an intangible asset in respect to the re-acquired licensing rights for the next 20 years which were valued using a discounted cash flow model.
- (b) The deferred tax liability arises in respect of the recognised intangible.
- (c) The true and fair override is to account for the joint venture agreement already in place, this reduces the amount of negative goodwill to represent the interest in the company already held and is shown in reserves, in line with Appendix IV para A4.21 of FRS 102.
- (d) There is negative goodwill recognised due to the value of the net assets acquired being in excess of the consideration and true and fair override.

The goodwill and intangible will be released and amortised to the income statement over a 20 year period as this is the length of the production and distribution rights agreement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

## BUSINESS COMBINATIONS (CONTINUED)

## For cash flow disclosure purposes

Cash consideration	(2,498,999)
Directly attributable costs	793,983
Less	
Cash and cash equivalents acquired	(5,114,982)
<b>Net cash inflow</b>	<b>(6,819,998)</b>

## b) Acquisition of FF Golf Production

On 4 December 2017 PGA European Tour acquired FF Golf Production from the Fédération Française de Golf. Management estimate the useful life of goodwill recognised and the intangibles acquired to be 4 years. This is the length of the rights acquired.

The following table summarises the consideration paid by the group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

## Consideration

	£
Cash paid	421,186
Deferred consideration	669,567
Directly attributable costs	178,293
<b>Total consideration</b>	<b>1,269,046</b>

## Recognised amounts of identifiable assets acquired and liabilities assumed

	Note	Book value £	Fair Value Adjustments £	Fair value £
Intangibles	(a)	-	1,936,161	1,936,161
Trade and other receivables		3,758,017	-	3,758,017
Cash at bank and in hand		763,661	-	763,661
Trade and other payables		(5,367,085)	-	(5,367,085)
Deferred tax assets / (liabilities)	(b)	-	(329,148)	(329,148)
<b>Total identifiable net assets</b>		<b>(845,407)</b>	<b>1,607,013</b>	<b>761,606</b>
Goodwill				507,440
<b>Total consideration</b>				<b>1,269,046</b>

The adjustments arising on acquisition were in respect of the following:

- The intangible asset represents the fair value of the rights of staging the French Open over the next 4 years. This is calculated based on the consideration paid plus the net liabilities acquired.
- The deferred tax liability arises in respect of the recognised intangible.

The goodwill and intangible will be released and amortised to the income statement over a 4 year period as this is the length of rights they have acquired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

BUSINESS COMBINATIONS (CONTINUED)

For cash flow disclosure purposes

Cash consideration	421,186
Directly attributable costs	178,293
Less	
Cash and cash equivalents acquired	(763,661)
<b>Net cash inflow</b>	<b>(164,182)</b>

The deferred consideration is held as a liability at year-end on the balance sheet. The amount has not been discounted as discounting is not material. It is payable in the following increments in Euros:

	€
31/10/2018	332,901
31/10/2019	321,601
31/10/2020	115,500

The revenue from FFGP included in the consolidated income statement for 2017 was £nil. FFGP contributed £27,737 loss over the period from 4 December 2017.