

# ITF Licensing (UK) Limited

## Annual report and financial statements

Registered number 2584446  
31 December 2018

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COMPANIES HOUSE

**ITF Licensing (UK) Ltd**

**Registered number 2584446**

**Directors**

David Haggerty  
Rene Stambach

**Secretary**

Dominic Anghileri

**Auditor**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WCN 6RH

**Banker**

NatWest Bank PLC  
22 Kings Mall  
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Hammersmith  
London  
W6 0QD

**Solicitor**

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7 Devonshire Square  
London  
EC2M 4YH

**Registered Office**

Bank Lane  
Roehampton  
London  
SW15 5XZ

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## Strategic Report

The directors present their Strategic Report on the company for the year ended 31 December 2018.

### Review of the business

#### Principal activities

The company is a subsidiary undertaking of the ITF Trust, registered in the Bahamas. The principal activities of the company are the commercial exploitation of the media rights, data rights and sponsorship rights pertaining to the Davis Cup & Fed Cup tennis competitions and ITF professional tennis events.

#### Development and performance of the business of the company during the financial year

The company's turnover increased by \$3.0m or 5.2% in 2018 to \$59.9m, and cost of sales increased \$3.0m or 7.3% to \$44.4m leading to no change in the gross profit level for the year.

Total sponsorship for the year amounted to \$19.5m, an increase of \$0.6m or 2.9% (2017: \$18.9m). Existing sponsorship revenues remain substantial through our key partnerships with BNP Paribas, Adecco, Rolex, Uniqlo and NEC.

Media rights income increased by \$0.9m (6.8%) in 2018 to \$14.4m (2017: \$13.5m), due to contractual increases in the media rights licence agreement in place until 2021.

Data rights income amounted to \$12.7m, an increase of \$0.1m from the previous year (2017: \$12.5m), with the continuation of the data rights partnership agreement with Sportradar.

Anti-doping income increased by \$0.7m to \$4.3m representing income from the governing bodies of tennis for Anti-doping services which have increased significantly.

The increase in cost of sales was due to Davis Cup and Fed Cup prize money rises, anti-doping service costs and regulation and governance expenses.

Administrative expenses increased by \$1.6m to \$16.1m. This is driven by "Strategic Initiative" expenditure in which the company is implementing the long-term plan for sustainable growth named "ITF2024". These include the expenditure on the due diligence associated with the new World Cup of Tennis Finals to crown the Davis Cup champions for 2019 onwards, the creation of photo and video digital archives, and the depreciation and amortisation associated with key IT projects such as enhancing the ITF's IPIN system for professional, junior, senior and wheelchair players.

ITFL made an operating loss of \$0.6m (2017: operating profit \$1.1m) and after taxation and dividends received a total loss of \$0.4m (2017: total profit \$1.2m).

#### Position of the company at the end of the year

The company has net assets of \$5.4m, a decrease of \$0.4m being the total loss for the year. The company continues to have net current liabilities which have increased to a liability position of \$4.5m (2017: net current liabilities \$3.4m). Net current liabilities are a product of the company's high deferred income balance with key sponsorship contracts for 2019 invoiced and often paid in advance of the end of the year, and the very low trade debtors balance which is managed very closely. The result is the ability for the company to operate with a low level of working capital requirements.

#### Future developments of the company

After approval at the ITF AGM in August 2018 of the proposal to create a major new annual season-ending World Cup of Tennis Finals to crown the Davis Cup champions, the financial future of the ITF has been enhanced with a 25-year agreement with Kosmos seeing increases in

revenues in the form of licence fees. The new format is a bold and ambitious plan for the future of the Davis Cup by BNP Paribas and a key cornerstone to the ITF2024 strategy.

The ITF is also committed to improving the Fed Cup competition and is conducting an ongoing analysis of the best format options with a desired implementation in 2020.

As discussed above, the company is committed to delivering the objectives of ITF2024 and has implemented a series of one-off expenditure items titled "Strategic Initiatives". This will see additional expenditure of \$10m spent between 2017 and 2020 to enhance the ITF's flagship events and capability to develop, grow and promote tennis around the world.

#### **Principal Risks and Uncertainties**

The ITF Trust prepares and reviews its Risk Register on a biannual basis. The major risks identified in the Risk Register for 2018, which relate to ITFL, include:

- The potential for a competing event to be launched in the week of an ITF event or with competing format
- The risk of the partnership with Kosmos or the new Davis Cup format being unsuccessful
- Impact of the findings of the Independent Review Panel investigation into tennis corruption
- Top player participation in Davis Cup diminishes and sponsorship packages remain unsold
- Corrupt players, officials or unauthorised persons manipulate match results for personal gain
- Security and Health & Safety issues at ITF tournaments and events

When risks are identified in the Risk Register, all reasonable mitigating actions are also listed and actioned by the Directors to reduce the inherent risk levels of the company. The company regularly reviews insurance levels & policies.

The profile and quality of the tennis events organised, including the quality of the participants and the ability to market these events, represent the key challenges faced by the company. Additionally, the movement in exchange rates is a key variable that the company has to contend with given the global scope of its activities. This risk is actively managed through regular meetings of ITF Trust's Finance and Audit Committee.

The company is exposed to a multitude of risk factors, which are assessed on a regular basis. The Board places emphasis on its risk management policies and internal controls which include insurance cover, currency hedging, longer-term commercial contracts and the holding of financial reserves.

The future outlook of the company, its development plans and strategy, are all dealt with in further detail in the ITF Trust's group financial statements.

By order of the board



**Dominic Anghileri**  
Company Secretary

**18 March 2019**

Bank Lane, Roehampton  
London, SW15 5XZ  
United Kingdom

## **Directors' report**

The directors present their report and company financial statements of the company for the year ended 31 December 2018. The financial statements are presented in US dollars.

### **Future developments of the company**

See the strategic report for details on the future developments of the company.

### **Results and dividends**

The loss for the year amounted to US\$0.4m (2017: profit US\$1.2m). The directors do not recommend the payment of a dividend (2017: nil).

### **Political donations and political expenditure**

During the year the company did not make any political donations or expenditure (2017: nil).

### **Financial Instruments**

See the strategic report for a discussion of the company's exposure to price, credit & liquidity risk.

### **Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were **René Stambach** and **David Haggerty**.

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board



**Dominic Anghileri**  
*Company Secretary*

**18 March 2019**

Bank Lane, Roehampton  
London, SW15 5XZ  
United Kingdom

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 company and of the profit or loss of the company for that period. In preparing the 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

## **Independent auditor's report to the members of ITF Licensing (UK) Limited**

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

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#### **Opinion**

In our opinion, ITF Licensing (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 balance sheet as at 31 December 2018; the profit and loss account, the statement 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 company 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**

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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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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.

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 2018 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 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 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 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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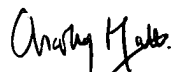
## **Other required reporting**

### **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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Charles Mirrington (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
18 March 2019

# PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Turnover	2	59,945	56,964
Cost of sales		(44,433)	(41,421)
<b>Gross profit</b>		<b>15,512</b>	<b>15,543</b>
Administrative expenses		(16,080)	(14,479)
<b>Operating (loss) / profit</b>		<b>(568)</b>	<b>1,064</b>
Income from shares in group undertakings		186	189
Interest receivable and similar income		-	27
<b>(Loss) / profit before taxation</b>	3	<b>(382)</b>	<b>1,280</b>
Tax on profit / loss	6	(12)	(110)
<b>(Loss) / profit for the financial year</b>		<b>(394)</b>	<b>1,170</b>

All income and expenditure is derived from continuing operations.

A statement of comprehensive income is not included in these financial statements as there are no gains and losses in either financial year other than the results reported above.

The notes on pages 10 to 21 are an integral part of these financial statements.

# BALANCE SHEET

at 31 December 2018

	Note	2018 US\$'000	2018 US\$'000	2017 US\$'000	2017 US\$'000
<b>Fixed Assets</b>					
Intangible Assets	7		8,853		7,691
Tangible Assets	8		1,555		1,993
Investments	9		25		25
			<u>10,433</u>		<u>9,709</u>
<b>Current assets</b>					
Stocks	10	258		283	
Debtors	11	11,196		15,534	
Cash at bank and in hand		27,430		9,537	
		<u>38,884</u>		<u>25,354</u>	
Creditors: amounts falling due within one year	12	(43,352)		(28,704)	
<b>Net current liabilities</b>			<u>(4,468)</u>		<u>(3,350)</u>
<b>Total assets less current liabilities</b>			<u>5,965</u>		<u>6,359</u>
Provisions for liabilities	13		(519)		(519)
<b>Net Assets</b>			<u>5,446</u>		<u>5,840</u>
<b>Capital and Reserves</b>					
Called up share capital	14		3,002		3,002
Profit and loss account			2,444		2,838
<b>Total shareholders' funds</b>			<u>5,446</u>		<u>5,840</u>

The notes on pages 10 to 21 are an integral part of these financial statements.

These financial statements on pages 7 to 21 were approved by the Board of Directors on 18 March 2019 and were signed on its behalf by:



David Haggerty  
Director



René Stammbach  
Director

Company registered number: 2584446

# Statement of Changes in Equity

for the year ended 31 December 2018

	Called-up share capital US\$'000	Profit and loss account US\$'000	Total equity US\$'000
Balance at 1 January 2017	3,002	1,668	4,670
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	1,170	1,170
Total comprehensive income for the year	-	1,170	1,170
<b>Balance at 31 December 2017</b>	<b>3,002</b>	<b>2,838</b>	<b>5,840</b>
Balance at 1 January 2018	3,002	2,838	5,840
<b>Total comprehensive income for the year</b>			
Loss for the financial year	-	(394)	(394)
Total comprehensive loss for the year	-	(394)	(394)
<b>Balance at 31 December 2018</b>	<b>3,002</b>	<b>2,444</b>	<b>5,446</b>

The notes on pages 10 to 21 are an integral part of these financial statements.

# NOTES

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting Policies

ITF Licensing (UK) Limited (the "company") is a private company limited by shares and incorporated and domiciled in the UK at registered office Bank Lane, Roehampton, SW15 5XZ.

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued by the Financial Reporting Council in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency and functional currency of these financial statements is US Dollars. All amounts in the financial statements have been rounded to the nearest US\$1,000.

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The company's ultimate parent undertaking, ITF Trust, includes the company in its consolidated financial statements. The consolidated financial statements of ITF Trust are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from ITF Trust, Bank Lane, Roehampton, SW15 5XZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ITF Trust include the equivalent disclosures, the company has also taken the exemption under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

### Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities of \$4,468,000 (2017: US\$3,350,000) which the directors believe to be appropriate for the following reason:

The company is reliant on funds provided to it by ITF Limited which has provided the company with an undertaking that it will continue to do so for at least 12 months from the date of approval of these financial statements. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate.

### Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

# NOTES

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting policies (continued)

### *Basic financial instruments*

#### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### *Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

### *Intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense.

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful life of the intangible assets which is as follows:

Software	3 years	
TV Rights & Licences	50 years	(Based on contractual life of asset)

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting policies (continued)

### ***Tangible fixed assets***

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

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	over the shorter of the asset life or the term of the lease
Computer equipment	3 years
Fixtures and fittings	4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic

### ***Stocks***

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Where stocks are held for distribution for no consideration, the carrying amount is recognised in stock at cost and is recognised as an expense on distribution.

### ***Impairment excluding stocks and deferred tax assets***

#### ***Financial assets (including trade and other debtors)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### ***Non-financial assets***

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### ***Employee benefits***

#### ***Defined contribution plans and other long term employee benefits***

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the years during which services are rendered by employees.

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting policies (continued)

### **Provisions**

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

### **Turnover**

Turnover is recognised to the extent that the turnover can be reliably measured, in the year to which it relates.

Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of goods.

Turnover from the provision of services is recognised by reference to the stage of completion as described in the specific criteria relating to each of the company's sales channels as described in i) to iv) below:

#### i) Sponsorship, competition & television income

Sponsorship income is recognised in accordance with the terms of the contract and the accounting year to which it relates.

Television income is recognised in accordance with the terms of the contract and the accounting year to which it relates.

Competition income is recognised in the year in which the competition took place.

#### ii) Anti-doping income

Anti-doping income is recognised in accordance with the terms of the agreement and the accounting year to which it relates, where anti-doping services are provided for specific events. Anti-doping income relating to penalties is recorded once it is probable that the economic benefit associated with the transaction will flow to the entity.

#### iii) Data Sales income

Data Sales income is recognised in accordance with the terms of the contract and the accounting year to which it relates.

#### iv) Technical & sundry income

Technical income is derived from testing tennis equipment and is recognised in accordance with the terms of the agreement and the accounting year to which it relates. Sundry income is derived mainly from recharges to the Grand Slam Board and Tennis Integrity Unit for office and administration costs. Rent is charged and recognised as per the terms of the lease and the accounting year to which it relates. Also included within Technical and sundry income is subscription monies for the ITF Foundation which allows members to consult and collaborate with the ITF in the process of manufacturing tennis equipment.

### **Expenses**

#### **Operating Lease**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### **Interest income**

Interest income is recognised as interest accrued using the effective interest method.



# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 1. Accounting policies (continued)

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## 2. Turnover

	2018 US\$'000	2017 US\$'000
Sale of television rights	14,431	13,511
Sale of sponsorship rights	19,467	18,912
Administrative services	192	187
Foundation and technical testing income	1,180	1,195
Data sales income	12,658	12,522
Event income	7,010	6,342
Anti-doping income	4,286	3,574
Development income	721	721
	<b>59,945</b>	<b>56,964</b>

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 2. Turnover (continued)

*An analysis of turnover by activity by geographical market is given below:*

	US\$'000	US\$'000
<i>Sale of television rights:</i>		
Continental Europe	12,285	10,834
United States of America	565	613
Rest of the World	1,581	2,064
	<u>14,431</u>	<u>13,511</u>
<i>Sale of sponsorship rights:</i>		
Continental Europe	9,181	8,911
United States of America	4,754	4,684
Rest of the World	5,532	5,317
	<u>19,467</u>	<u>18,912</u>
<i>Administrative services:</i>		
Continental Europe	<u>192</u>	<u>187</u>
<i>Foundation and technical testing income</i>		
Continental Europe	455	362
United States of America	126	119
Rest of the World	599	714
	<u>1,180</u>	<u>1,195</u>
<i>Data Sales income:</i>		
Continental Europe	<u>12,658</u>	<u>12,522</u>
<i>Event income:</i>		
Continental Europe	3,416	2,988
United States of America	571	488
Rest of the World	3,023	2,866
	<u>7,010</u>	<u>6,342</u>
<i>Anti-doping income</i>		
Continental Europe	1,423	1,131
United States of America	2,142	1,906
Rest of the World (including intercompany)	721	537
	<u>4,286</u>	<u>3,574</u>
<i>Other Development Income:</i>		
Rest of the World	<u>721</u>	<u>721</u>

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 3. Profit / (loss) on ordinary activities before taxation

	2018 US\$'000	2017 US\$'000
<i>Profit / (loss) on ordinary activities before taxation is stated after charging within administrative expenses:</i>		
Depreciation of owned fixed assets	1,106	1,087
Amortisation of intangible assets	573	327
Operating lease rentals – land and buildings	603	408
	<hr/>	<hr/>

Auditor's remuneration:

*Disclosures below based on amounts receivable in respect of services to the company and its subsidiaries*

Amounts receivable by current auditors and their associates in respect of:

Audit of these financial statements	43	24
Other services relating to taxation	10	8
	<hr/>	<hr/>

## 4. Remuneration of Directors

	2018 US\$'000	2017 US\$'000
Directors' emoluments	633	642
Company contributions paid to money purchase pension schemes	-	-
	<hr/>	<hr/>
	633	642

The aggregate of remuneration of the highest paid director was \$633,000 (2017: \$642,000). No company pension contributions were made to a money purchase scheme on their behalf (2017: nil).

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase pension schemes	-	-
	<hr/>	<hr/>

## 5. Staff numbers and Costs

The monthly average number of persons employed during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Professional Tennis	45	39
Tennis Development	11	9
Commercial	13	9
Presidential & Communications	15	15
Integrity, Science & Technical	10	9
Finance & Administration	23	21
	<hr/>	<hr/>
	117	102

The aggregate payroll costs of these persons were as follows:

	2018 US\$'000	2017 US\$'000
Wages and salaries	8,128	7,495
Social security costs	958	914
Other pension costs	498	510
	<hr/>	<hr/>
	9,584	8,919

In addition, staff costs of \$228,000 were capitalised in the year in relation to software development (2017: \$39,000 in relation to computers and databases).

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 6. Tax on profit / (loss) on ordinary activities

Analysis of current tax charge for the year

	2018 US\$'000	2017 US\$'000
UK corporation tax		
UK Corporation tax at 19.25%	-	5
	<u>-</u>	<u>5</u>
Foreign tax		
Withholding tax paid	12	105
Total current tax charge recognised in profit and loss	<u>12</u>	<u>110</u>

### Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below.

	2018 US\$'000	2017 US\$'000
<i>Reconciliation of effective tax rate</i>		
(Loss) / profit for the year	(394)	1,170
Total tax expense	12	110
(Loss) / profit excluding taxation	<u>(382)</u>	<u>1,280</u>
Tax using the standard corporation tax rate of 19.00% (2017: 19.25%)	(73)	246
Effects of:		
Fixed asset differences	-	66
Expenses not deductible for tax purposes	76	38
Income not taxable for tax purposes	(35)	(36)
Other permanent differences	-	(20)
Effect of overseas tax rates	10	105
Adjust closing and opening deferred tax to average rate of 19.25%	-	(34)
Deferred tax not recognised	34	(255)
Total tax expense included in profit and loss	<u>12</u>	<u>110</u>

There is a deferred tax asset of US\$1,012,000 (2017: US\$975,000) in respect of decelerated capital allowances and brought forward tax losses which has not been recognised in the balance sheet since the ability to use it against future profits is not considered probable.

### Factors that may affect future current and total tax charges

The changes to the main rate of corporation tax for UK companies announced in the 2016 Budget were substantively enacted for financial reporting purposes on 6 September 2016. The main rates of corporation tax will reduce from 19% to 17% from 1 April 2020.

Deferred tax at 31 December 2018 has therefore been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 7. Intangible assets

	Internally generated software US\$'000	TV Rights & Licences US\$'000	Total US\$'000
<b>Cost</b>			
At 1 January 2017	-	9,000	9,000
At 31 December 2017	-	9,000	9,000
At 1 January 2018	-	9,000	9,000
Additions	1,735	-	1,735
At 31 December 2018	1,735	9,000	10,735
<b>Amortisation</b>			
At 1 January 2017	-	982	982
Amortisation for the year	-	327	327
At 31 December 2017	-	1,309	1,309
At 1 January 2018	-	1,309	1,309
Amortisation for the year	246	327	573
At 31 December 2018	246	1,636	1,882
<b>Net book value</b>			
At 31 December 2018	1,489	7,364	8,853
At 31 December 2017	-	7,691	7,691

The internally generated software relates to the investment in the ITF's IPIN system and Website development costs as well as other software development including capitalised IT staff costs.

The TV rights and licences pertaining to the Davis Cup, Fed Cup, Junior Davis Cup, Junior Fed Cup and World Junior Tennis competitions. This individual intangible asset's remaining amortisation period is 23 years.

The intangible fixed assets are reviewed for impairment annually.

## 8. Tangible fixed assets

	Leasehold Improvements US\$'000	Computer Equipment US\$'000	Fixtures and fittings US\$'000	Total US\$'000
<b>Cost</b>				
At 1 January 2018	1,115	9,899	1,078	12,092
Additions	288	269	111	668
At 31 December 2018	1,403	10,168	1,189	12,760
<b>Depreciation</b>				
At 1 January 2018	1,070	8,137	892	10,099
Charge for the year	26	992	88	1,106
At 31 December 2018	1,096	9,129	980	11,205
<b>Net book value</b>				
At 31 December 2018	307	1,039	209	1,555
At 1 January 2018	45	1,762	186	1,993

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 9. Fixed asset investments

Subsidiary  
Undertakings

Cost:

US\$'000

At 31 December 2017 and 31 December 2018

25

Details of the investments in which the company holds 20% or more of the nominal value of any class of share are as follows:

Name of company	Year-end	Registered in	Holding	Proportion of voting rights and shares held	Nature of business
Hopman Cup Pty Ltd	31 March	Australia	Ordinary Shares	100%	Event Management
Registered office address: Level 8, 235 St Georges Terrace, Perth 6000.					

## 10. Stocks

	2018 US\$'000	2017 US\$'000
Merchandise	258	283

The difference between purchase price or production cost of stocks and their replacement cost is not considered. Stocks recognised as an expense during the year ended 31 December 2018 amounted to US\$244,000 (2017: US\$88,000).

## 11. Debtors

	2018 US\$'000	2017 US\$'000
Trade debtors	6,482	10,871
Other debtors	1,540	1,144
Prepayments	532	917
Accrued Income	1,363	882
Amounts due from parent undertaking	1,279	1,720
	<b>11,196</b>	<b>15,534</b>

Amounts due from parent undertaking are unsecured, non interest bearable and repayable on demand.

## 12. Creditors: amounts falling due within one year

	2018 US\$'000	2017 US\$'000
Trade creditors	2,099	1,696
Other taxation and social security	700	554
Accruals	10,298	9,238
Other creditors	125	417
Deferred income	30,130	16,799
	<b>43,352</b>	<b>28,704</b>

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 13. Provisions for liabilities

	Dilapidations provision US\$'000
Balance at 1 January 2018	519
Provisions made during the year	-
<b>Balance at 31 December 2018</b>	<b>519</b>
Current	-
Non-current	519
	<b>519</b>

The dilapidations provision relates to the Roehampton property. The liability is expected to be incurred in 2023 at the end of the operating lease.

## 14. Called up share capital

	2018 US\$'000	2017 US\$'000
<i>Allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1 each (2017: 1,000)	2	2
3,000,000 Ordinary shares of US\$1 each (2017: 3,000,000)	3,000	3,000
	<b>3,002</b>	<b>3,002</b>

## 15. Pension commitments

ITF Licensing (UK) Limited has established a pension provision within the UK for its employees. Since 1997, contributions paid by the company towards the pension fund of an individual have been held in a fund specific to each individual, under a Group Personal Pension Scheme. Employees are not required to make any contributions to this fund, which provides benefits related to the value of the fund accumulated for each employee, at the time of retirement. At 31 December 2018 there were no contributions outstanding (31 December 2017: Nil). In 2018 pension costs were US\$498,000 (2017: US\$510,000).

## 16. Obligations under leases

Non-cancellable operating lease rentals are payable as follows:

	2018 US\$'000	2017 US\$'000
Less than one year	638	459
Between one and five years	1,991	1,891
	<b>2,629</b>	<b>2,350</b>

## 17. Related party transactions

During the year, the company provided administrative services to other companies within the ITF Trust group. The total value of intercompany recharges recorded in the year for administrative services and cost reallocation was US\$3,402,000 (2017: US\$3,594,000). Intercompany balances outstanding at the balance sheet date owed from ITF Limited, another entity within the ITF Trust group, totalled US\$1,279,000 (2017: US\$1,720,000 owed from ITF Limited).

During the year, the Kazakhstan Tennis Federation, whose president Mr. Bulat Utemuratov is a director of the ITF Trust group, provided funding to the company of \$721,000 for the 12 & Under Team Competition Development Programme.

# NOTES (CONT.)

(FORMING PART OF THE FINANCIAL STATEMENTS)

## 18. Ultimate parent undertaking and controlling party

The company's parent and ultimate parent undertaking and controlling party is ITF Trust, registered office PO Box N-272, Nassau, Bahamas. ITF Trust is the parent undertaking of the largest group of which the company is a member and for which group financial statements are prepared. No other group financial statements include the results of the company. Copies of the group financial statements are available to the public and may be obtained from ITF Trust, Bank Lane, Roehampton, SW15 5XZ.

## 19. Accounting estimates and judgements

### *Key sources of estimation uncertainty*

#### *Trade receivables valuation*

Provisions have been made for those trade receivables where the recoverability is considered uncertain.

### *Critical accounting judgements in applying the company's accounting policies*

Certain critical accounting judgements (apart from those involving estimations included above) in applying the company's accounting policies are described below:

#### *Intangible fixed asset valuation and useful life*

The method of ascertaining the intangible assets' impairment and useful life are judgements with a potentially material effect on the financial statements. The process of determining both of these factors have been described in

#### *Provisions*

The provision for dilapidations has been calculated using an estimate for the costs that would be payable under the terms of the existing lease.

#### *Taxation*

Management estimates the level of provisions required for both current and deferred tax assets on the basis of professional advice on the nature of current discussions with the authority concerned.

## 20. Subsequent Events

There were no material subsequent events after the balance sheet date.