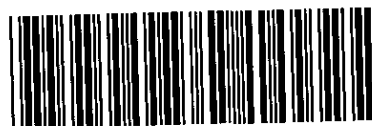

LTA OPERATIONS LIMITED

Unaudited

Annual Report and Financial Statements

For the Year Ended 31 December 2020

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LTA OPERATIONS LIMITED

Company Information

Directors	Lord M Davies R Baillache S Bennison L Cundy (appointed 1 January 2020) C Haworth C Hollingsworth (resigned 31 July 2021) S Lloyd S Procter D Rawlinson R Staniland S Steele Sir D Tanner S Bhandari (appointed 1 August 2021) A Jhingan (appointed 1 August 2021)
Registered number	07475460
Registered office	The National Tennis Centre 100 Priors Lane Roehampton London SW15 5JQ England, United Kingdom

LTA OPERATIONS LIMITED

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LTA OPERATIONS LIMITED

Strategic Report For the Year Ended 31 December 2020

The directors present their Strategic Report on the company for the year ended 31 December 2020.

LTA Operations Limited is a wholly owned subsidiary of Lawn Tennis Association Limited and is the trading company of the Lawn Tennis Association Limited Group (the "LTA Group"). Its mission to grow tennis by making it relevant, accessible, welcoming and enjoyable.

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"). The Company has also adopted the Amendments to FRS 102 (issued in July 2015).

The LTA Group constitutes a 'public benefit entity' as defined by FRS 102, being an entity whose primary objective is to provide goods and services for the general public, community or social benefit and where any financial return is provided with a view to supporting the LTA Group's primary objectives rather than providing a financial return to shareholders. As such, LTA Operations Limited has applied the reporting exemptions applicable to public benefit entities under FRS 102.

Review of the business

The Strategic Report of the LTA Group is available in the published group financial statements. This is considered to cover LTA Operations Limited. A summary is shown below.

Revenue decreased during the year to £47.0m (2019: £77.4m). The importance of our partnerships with All England Lawn Tennis Club (Championships) Limited ("AELTC"), Sport England and our commercial partners are recognised within our income streams and we continue to work closely with all parties to maximise their investment within British Tennis.

Revenue from the Wimbledon Championships has decreased to £41.6m (2019: £52.1m). The decrease in the distributable surplus in 2020 was as a result of the COVID-19 pandemic. In 2020, as has been widely reported, despite The Championships being cancelled The All England Lawn Tennis & Croquet Club ("AELTC" or "the Club") was able to claim against its pandemic insurance policy, and this covered a substantial proportion of the loss of income both to it and to the LTA. This claim has provided the LTA with the surplus of £36.1m and grass court support of £5m. Funding received from AELTC in relation to officials in 2020 was due to an agreement that the umpires and other officials would receive 50% of their usual fee for The Championships, excluding any expenses.

Although there remain risks and uncertainties on the absolute level of the Wimbledon Championships' surplus in any given year, the long-term contract between the AELTC and the LTA in respect of the Wimbledon Championships runs through until 2053, with not less than 70% of the surplus continuing to be paid to the LTA in the 20 years following any termination of the contract.

The LTA's commercial activities produced £1.2m (2019: £6.1m) of revenue. The key contracts that contributed to this were a continuation of existing sponsors for whom non-events related rights could be delivered including Quorn, BNP Paribas, FeverTree and Adidas, alongside new deals including Life Fitness. The LTA announced cinch as the new title sponsor of the Queen's Club Championships in December 2020 in a deal that will commence in 2021 and run for four years. The LTA is currently in negotiation in relation to further opportunities for both 2021 and beyond.

The revenue from Major Events decreased to £0.7m (2019 reclassified: £14.4m). This was significantly reduced due to the impact of COVID-19 and the resulting cancellation of the majority of the tennis calendar in 2020. The remaining income was earned through pooled media rights from ATP tournaments completed in 2020 alongside other events completed in 2020 including the Fed Cup (since renamed the Billie Jean King Cup) tie away to Slovakia in February.

LTA OPERATIONS LIMITED

Strategic Report (continued) For the Year Ended 31 December 2020

Sport England revenue grants of £2.1m (2019: £2.5m) reflected the fourth full year of the current agreement that began in April 2017. Other revenue of £1.4m (2019: £2.1m) arose from a range of activities including the LTA's membership scheme, coaching courses, other grants, National Tennis Centre income and programme funding.

At 31 December 2020, LTA Operations Limited's Statement of financial position showed a net liability of £17.8m (2019: net liability of £14.3m)

LTA Operations Limited invests these funds in line with its new vision "Tennis Opened Up" and the mission for all those working to deliver the vision is to grow tennis by making it relevant, accessible, welcoming and enjoyable. The expenditure is presented in line with the LTA's defined operational functions:

- Participation - opening tennis up across our strategic focus areas of clubs, communities, children and young people
- Capital grants - result oriented facility investment
- Performance - establishment of a world class High Performance Programme
- Commercial, Major Events and Marketing - jump starting the peak summer season and targeting programmes and marketing to our priority player groups
- Business support and depreciation - operating an efficient and effective Governing Body

Operating expenditure across these areas in the year was £50.6m (2019: £70.7m).

The loss for the financial year was £3.4m (2019: £6.0m).

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the LTA Group and are not managed separately. The financial statements of the LTA Group are publicly available and detail the principal risks and uncertainties in the report of directors.

Financial key performance indicators

Each year the LTA sets business objectives to measure its performance in key areas.

Despite the many challenges caused by COVID-19 and periods of the year during which all tennis courts were closed, the LTA saw growth in participation across the country. On a 12 month rolling basis, yearly participation grew 8%, performing well above target. Across 2020, female yearly participation improved by 2%, with 1,890,412 women playing at least once per year (target 1,800,000). This is down to a return to growth amongst 16-34s and continued increases for 55+s.

To support the increase in participation the LTA has continued to work closely with venues up and down the country. During the year a further 913 venues (target 650) joined the online system LTA Rally that allows the public to pay and play at a venue close to them. Meanwhile, installation of gate access systems was approved at 166 venues (target 100) and 26 quick access loans (post-COVID-19 impact target 25) were granted to venues looking to improve their facilities.

As a result of schools and after-school clubs remaining closed (specifically during the critical summer term for tennis) and activity being restricted for large periods of 2020, the LTA saw a decline in the number of children playing tennis weekly, with this standing at 501,600 (target 510,000) and this remains a concern. This however is a similar trend to many other sports and is something the LTA will be working on throughout this year as LTA Youth – a programme to ensure tennis is relevant, accessible, welcoming and enjoyable for kids, is rolled out. The LTA trained 2,400 coaches and teachers to deliver LTA Youth last year (target 1,900), ahead of the programme's full launch in 2021.

LTA OPERATIONS LIMITED

Strategic Report (continued) For the Year Ended 31 December 2020

In addition to more people playing tennis, despite the absence of the traditional summer of domestic major events, the LTA achieved an 11% increase in the number of fans on its database. The LTA successfully leveraged the behind closed doors activity and the resumption of the professional tours to drive fan membership numbers up to 761,781 (target 750,000), remaining on track to achieve its 2023 target of 1 million. One of the primary channels for fan engagement and the LTA strategy to raise the visibility of tennis is through social media, and improvements in content and approach saw a growth in followers to 362,146 (target 360,000) and the LTA achieve 2,560,186 interactions (target 2,000,000).

In relation to Performance, the interruptions to the professional tours had an effect on rankings progress. However, the LTA ended the year with five players in the top 100 in the world in singles and, two players in the top 30 in doubles along with four players ranked in the top six in the world in wheelchair tennis singles and five players in doubles.

The Strategic report was approved and authorised for issue by the board on 23 September 2021 and is signed on its behalf by:



S Lloyd
Director

LTA OPERATIONS LIMITED

Directors' Report For the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activities

LTA Operations Limited is a wholly owned subsidiary of Lawn Tennis Association Limited and is the trading company of the Lawn Tennis Association Limited Group (the "LTA Group"). Its mission is to get more people playing tennis more often.

Results and dividends

The loss for the year, after taxation, amounted to £3.4m (2019: £6.0m).

The directors recommend that no dividend is paid this year (2019: £nil).

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.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

Lord M Davies
R Baillache
S Bennison
L Cundy (appointed 1 January 2020)
C Haworth
C Hollingsworth (resigned 31 July 2021)
S Lloyd
S Procter
D Rawlinson
R Staniland
S Steele
Sir D Tanner
S Bhandari (appointed 1 August 2021)
A Jhingan (appointed 1 August 2021)

Future developments

As the LTA emerges out of the COVID-19 pandemic, sport and physical activity can play a central role in the nation's recovery. The LTA remains focused on continuing to build towards its vision of 'tennis opened up', with a number of developments to come this year that will see tennis play its part in keeping the nation active and building back better.

The financial impact of the pandemic has been far reaching, with indoor tennis centres significantly affected. The network of community indoor tennis centres are of particular strategic importance to the sport, and so protecting and supporting these as far as possible to ensure none are lost will be one of the LTA's priorities for the year.

As restrictions ease, the LTA will be continuing its participation activity, including the roll-out of LTA Youth in clubs, schools, parks and other venues across the country. Last summer the LTA announced plans for a parks tennis revolution, and so this year will see the next phase of work to achieve that with the continued roll-out of LTA Rally and gate access systems, and growth of Local Tennis Leagues.

LTA OPERATIONS LIMITED

Directors' Report (continued) For the Year Ended 31 December 2020

The LTA will also be relaunching its SERVES programme that takes tennis to underserved communities and its Open Court disability programme after they were paused for much of last year. Both these programmes target groups who have been significantly impacted by the pandemic, and the focus will be on building them up to prepandemic levels to provide a platform for future growth.

With competitions resuming, the LTA will be introducing the ITF World Tennis Number – a brand new, inclusive and modern rating system for all players in Britain. The ITF World Tennis Number will replace the LTA's current ratings system, which was identified as a priority area to improve during the LTA's Competition Review by coaches, referees, players and parents. Alongside the ITF and other leading tennis nations, the LTA has played a leading role in the development of the new system, which will be used by national associations around the world to help create a common rating system across tennis.

The ITF World Tennis Number is one of the key benefits that will be accessible via the new LTA Advantage membership proposition which sits at the heart of the LTA's Customer Engagement Strategy. Following the programme's launch at the start of 2021, it will be developed further as the LTA looks to increase the total number of customers and engage on a more relevant and personalised level.

The LTA's previous safeguarding strategy came to a conclusion at the end of 2020, with the progress made seeing tennis now lead the way for safeguarding in sport. The LTA is committed to building on the successful implementation of its safeguarding strategy and is developing its work in this area further in 2021, alongside resuming its Sport England funded pilot of the innovative augmented reality 'Safe to Play' safeguarding campaign.

This year will also see the LTA publish its new inclusion strategy for tennis. It follows the open letters published by LTA Chief Executive Officer Scott Lloyd last year that made clear the LTA's commitment as the national governing body for tennis firstly to listen, and then to put in place the actions needed to affect real change as part of its drive to open tennis up.

Section 172 Statement

The Board believes that, individually and together, it has acted in the way it considers, in good faith, would be most likely to promote the success of the LTA for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2020. The Board has demonstrated throughout this report how it engages with stakeholders and has regard to the interests of the LTA's employees, customers, suppliers and other stakeholders, the impact of its activities on the community, the environment, and the LTA's good reputation for business conduct.

The Board engages in formal and informal consultation with a range of stakeholders, both inside and outside the sport, to understand the impact of decisions on those groups. The Board regularly consults with the LTA Council ("the Council"), both within formal Council meetings and more informally, in setting its strategy and to understand the needs of its members as well as the communities in which they operate.

A board effectiveness review was completed recently which includes an appraisal of the Board's responsibilities under Section 172 and identification of any enhancements that can be made to the Board's decision making process and to ensure it continues to promote the success of the LTA and engage with stakeholders in the best possible way.

Please see the Review of the Business, Principal Risks & Uncertainties, Key Performance Indicators & Future Developments and Directors' Report where further information can be found on Board engagement with stakeholders during the year.

LTA OPERATIONS LIMITED

Directors' Report (continued) For the Year Ended 31 December 2020

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Lawn Tennis Association Limited. The directors have received confirmation that Lawn Tennis Association Limited intends to support the company for at least one year after these financial statements are signed.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 these financial statements, the directors are required to:

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

The directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 23 September 2021 and signed on its behalf by:



S Steele
Director

LTA OPERATIONS LIMITED

**Statement of Income and Retained Earnings
For the year ended 31 December 2020**

	Note	2020 £000	2019 £000
Revenue	4	47,000	77,372
Administrative expenses		(50,621)	(70,745)
Operating (loss)/profit	5	(3,621)	6,627
Interest receivable and similar income	6	14	44
(Loss)/profit before taxation		(3,607)	6,671
Tax on (loss)/profit	7	201	(691)
(Loss)/profit after taxation		(3,406)	5,980
Statement of retained earnings			
Accumulated losses at the beginning of the year	16*	(24,352)	(30,332)
(Loss)/profit for the financial year		(3,406)	5,980
Accumulated losses at the end of the year	16	(27,758)	(24,352)

All operations in the current year and prior year are continuing.

The Company has no items of other comprehensive income or had any transactions with equity-holders between 1 January 2019 and 31 December 2020 so a Statement of retained earnings has therefore been presented in place of a Statement of comprehensive income and Statement of changes in equity.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and the historical equivalents for either 2020 or 2019.

* The prior year's Accumulated losses at the beginning of the year has been restated from £30,331,000 to £30,332,000 to reconcile with the Capital and reserves in 2019's Statement of Financial Position filed at Companies House.

The notes on pages 9 to 25 form part of these financial statements.

LTA OPERATIONS LIMITED
Registered number: 07475460

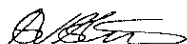
Statement of Financial Position
As at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	8	6,382	3,148
Tangible assets	9	4,582	4,243
Investments	10	332	-
		<u>11,296</u>	<u>7,391</u>
Current assets			
Stocks	11	348	459
Debtors: amounts falling due after more than one year	12	15,637	15,026
Debtors: amounts falling due within one year	12	45,693	44,442
Deferred tax	13	3,861	4,418
Cash at bank and in hand	14	11,804	12,219
		<u>77,343</u>	<u>76,564</u>
Creditors: amounts falling due within one year	15	(102,326)	(97,744)
Net current liabilities		<u>(24,983)</u>	<u>(21,180)</u>
Provisions for liabilities			
Other provisions	16	(4,071)	(563)
Net liabilities		<u>(17,758)</u>	<u>(14,352)</u>
Capital and reserves			
Called up share capital	18	10,000	10,000
Accumulated losses		(27,758)	(24,352)
		<u>(17,758)</u>	<u>(14,352)</u>

The directors considers that the company is entitled to exemption from the requirement to have an audit under the provisions of section 479A of the Companies Act 2006. The members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2021.



S Steele
Director

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

LTA Operations Limited is a private company limited by share capital and is incorporated and domiciled in United Kingdom. The address of its registered office is National Tennis Centre, 100 Priory Lane, London, SW15 5JQ.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Lawn Tennis Association Limited as at 31 December 2020 and these financial statements may be obtained from Companies House and www.lta.org.uk.

2.3 Consolidation

LTA Operations Limited has one wholly owned subsidiary, Local Tennis Leagues Limited, consolidated financial statements have not been prepared in accordance with the exemption under Companies Act 2006 s400.

2.4 Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Lawn Tennis Association Limited. The directors have received confirmation that Lawn Tennis Association Limited intends to support the company for at least one year after these financial statements are signed.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.5 Foreign currency translation

(i) Functional and presentation currency

The Group and Company's functional and presentation currency is the sterling pound.

(ii) Transactions and balances

Foreign currency transactions arising during the period are translated at the rates prevailing at the date of the transactions unless covered by a forward exchange contract, in which case the contract rate is used. Balances outstanding at the period end are translated at the rate ruling on that date unless covered by a forward exchange contract. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

2.6 Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

2.7 Business combinations

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

2.8 Intangible fixed assets and amortisation

Intangible fixed assets are stated in the statement of financial position at cost less provision for amortisation.

Amortisation is calculated to write off the cost of intangible assets over their expected lives by equal instalments. The expected life of each intangible asset is determined on an individual basis, dependent on the duration of its economic benefit. The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation.

Commercial rights are amortised over the contractual period to which they relate.

Computer software	4-5 years
Assets under construction	0 years

Assets under construction are amortised once their useful lives commence and in accordance with their asset class.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.8 Intangible fixed assets and amortisation (continued)

The computer softwares are amortised over 4-5 years with their useful economic lives and residual values re-assessed annually.

2.9 Property, plant and equipment and depreciation

Property, plant and equipment are stated in the Statement of Financial Position at cost less provision for depreciation. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment over their expected lives by equal annual instalments. Depreciation is provided on all property, plant and equipment apart from freehold land and assets under construction.

The following asset lives are used:

Furniture, computers and equipment	- 3 to 20 years
Motor vehicles	- 4 years
Assets under construction	- not depreciated (see note below)

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Assets under construction are depreciated once their useful lives commence and in accordance with their asset class.

The Queen's Club development is being depreciated over 20 years, representing the LTA's control, the anticipated life of the asset and the future economic benefit that will be derived to the LTA.

Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.9 Property, plant and equipment and depreciation (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

2.10 Financial instruments

Hedging

The Company does not apply hedge accounting in respect of forward foreign exchange contracts *held to manage the cash flow exposures of forecast transactions denominated in foreign currencies*.

Derivatives, including interest rate swaps and forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs or income as appropriate.

Where foreign currency borrowings (including forward exchange contracts) are used to finance or provide a hedge against the exchange risk associated with existing foreign fixed-asset investments denominated in foreign currency, the investments are re-translated at each statement of financial position date at the exchange rates ruling at the period end with movements taken to reserves. These foreign exchange movements are offset by the re-translation of the forward exchange contracts to the extent of the exchange differences arising on the fixed-asset investments. Foreign exchange movements arising from the re-translation of forward exchange contracts in place at the statement of financial position date are also taken to reserves.

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for *objective evidence of impairment*. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss immediately.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are sold, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and bank loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

The Company does not hold or issue derivative financial instruments.

2.11 Cash and cash equivalents

Cash and cash equivalents includes bank balances and short term maturity deposits held at call. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position. Cash and cash equivalents are stated at face value.

2.12 Current and deferred taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Taxation represents the amount estimated to be payable or recoverable in respect of the taxable profit or loss for the period, along with adjustments to estimates in respect of previous periods. Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Provision for deferred tax is made in respect of all timing differences that have originated but not reversed, by the statement of financial position date. The provision for deferred tax is not discounted. Deferred tax assets are only recognised to the extent that it is regarded that they will be recovered.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.12 Current and deferred taxation (continued)

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

2.13 Concessionary loans

Concessionary loans made are initially measured at the amount paid and recognised in the statement of financial position as the separate line item. In subsequent years, the carrying amount of concessionary loans is adjusted to reflect any accrued interest payable or receivable.

To the extent that a loan that has been made is irrecoverable, an impairment loss is recognised in the income statement.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Income and Retained Earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

3. Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management and the Board to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. No material judgements and estimates have been made in the current year or prior period.

The annual depreciation/amortisation charge for tangible/intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

4. Revenue

An analysis of LTA Operations Limited's revenue is shown below:

	2020 £000	2019 £000
Revenue from the Wimbledon Championships	41,640	52,072
Commercial	1,153	6,066
Major Events	676	14,672
Sport England Revenue Grant	2,135	2,454
Other Revenue	1,396	2,108
Total revenue	47,000	77,372

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of tangible fixed assets (note 9)	989	862
Amortisation of intangible fixed assets (note 8)	1,072	699
Auditors' remuneration		
- Audit fee of Lawn Tennis Association Limited Group and its subsidiary companies	97	72
- Tax compliance services for the Lawn Tennis Association Limited Group borne by the Company	53	48
- Other non-audit services of the Lawn Tennis Association Limited Group borne by the Company	30	57
Donations payable:		
Grant income	(2,135)	(2,699)
Operating lease charge	53	59
	<u> </u>	<u> </u>

LTA Operations Limited bears the audit and tax fees for the LTA Group and its subsidiaries.

The directors received no remuneration in respect of their services to the company during the year (2019: £nil). Directors' emoluments in relation to the LTA Group are disclosed in the Group financial statements which are publicly available.

The company had no employees (2019: none). The Group's employees are employed by LTA Services Limited and the related costs recharged to the company.

6. Interest receivable and similar income

	2020 £000	2019 £000
Bank interest receivable	14	44
	<u>14</u>	<u>44</u>

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

7. Tax on (loss)/profit

	2020 £000	2019 £000
Corporation tax		
UK corporation tax on (loss)/profit for the year	167	2,001
Adjustments in respect of previous years	(925)	25
	<u>(758)</u>	<u>2,026</u>
 Deferred tax		
Origination and reversal of timing differences	528	(1,170)
Adjustment in respect of previous years	491	(288)
Rate differences - deferred tax	(462)	123
	<u>557</u>	<u>(1,335)</u>
Deferred tax		
Total current tax	<u>(201)</u>	<u>691</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit before taxation	<u>(3,607)</u>	<u>6,671</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(701)	1,267
Effects of:		
Expenses imputed or non-deductible for tax purposes	1,331	1,089
Group relief	-	(1,532)
Adjustment in respect of previous years	(434)	(262)
Deferred tax movements	61	-
Tax rate changes	(462)	123
Transfer pricing adjustments	4	6
Total tax charge for the year	<u>(201)</u>	<u>691</u>

LTA OPERATIONS LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

8. Intangible assets

	Assets under construction £000	Computer software £000	Total £000
Cost			
At 1 January 2020	730	7,398	8,128
Additions	1,159	3,344	4,503
Additions - internal	-	730	730
Disposals	(730)	(4,915)	(5,645)
At 31 December 2020	<u>1,159</u>	<u>6,557</u>	<u>7,716</u>
Amortisation			
At 1 January 2020	-	4,980	4,980
Charge for the year	-	1,072	1,072
On disposals	-	(4,718)	(4,718)
At 31 December 2020	<u>-</u>	<u>1,334</u>	<u>1,334</u>
Net book value			
At 31 December 2020	<u>1,159</u>	<u>5,223</u>	<u>6,382</u>
At 31 December 2019	<u>730</u>	<u>2,418</u>	<u>3,148</u>

LTA OPERATIONS LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

9. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2020	19,656	84	19,740
Additions	1,465	-	1,465
Transfers intra group	578	-	578
Disposals	(3,245)	(22)	(3,267)
At 31 December 2020	<u>18,454</u>	<u>62</u>	<u>18,516</u>
Depreciation			
At 1 January 2020	15,418	79	15,497
Charge for the year on owned assets	984	5	989
Transfers intra group	543	-	543
Disposals	(3,073)	(22)	(3,095)
At 31 December 2020	<u>13,872</u>	<u>62</u>	<u>13,934</u>
Net book value			
At 31 December 2020	<u>4,582</u>	<u>-</u>	<u>4,582</u>
At 31 December 2019	<u>4,238</u>	<u>5</u>	<u>4,243</u>

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

10. Fixed asset investments

On 10 March 2020, LTA Operations Limited acquired a 100% interest in Local Tennis Leagues Limited, a private company limited by shares and incorporated in England and Wales which is engaged in facilitating tennis leagues in parks across the UK.

Consideration of £332,000 was paid to acquire the shares of Local Tennis Leagues Limited, comprising £303,000 cash and £29,000 deferred consideration to be paid in cash in March 2021.

	Investments in subsidiary companies £000
Cost or valuation	
Additions	332
At 31 December 2020	<u>332</u>

11. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	348	459
	<u>348</u>	<u>459</u>

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

12. Debtors

	2020 £000	2019 £000
Due after more than one year		
Loans repayable by Places to Play (iii)	7,424	7,775
Prepayments and accrued income	7,004	7,251
Hardship loans to coaches and venues	1,209	-
	<u>15,637</u>	<u>15,026</u>
Due within one year		
Trade debtors	487	1,863
Amounts owed by AELTC (i)	39,770	36,878
Amounts owed by the TF & The LTA Trust (ii)	205	161
Loans repayable by Places to Play (iii)	1,505	1,679
Other debtors	1,178	96
Prepayments and accrued income	2,261	3,765
Hardship loans to coaches and venues (iv)	287	-
	<u>45,693</u>	<u>44,442</u>

(i) Amounts owed by AELTC represents the amount owing from All England Lawn Tennis Club (Championships) Limited in respect of The 2020 Championships surplus, Wimbledon. The annual surplus owed is interest free and measured at cost.

(ii) Amounts owed by the TF represents costs covered by LTA Operations Limited and are measured at cost, interest free and repayable on demand.

(iii) Loans repayable by Places to Play represent interest free loans issued by LTA Operations Limited to clubs, indoor facilities, parks and schools to improve tennis facilities. The loans are repayable over 10 years or longer and are recorded net of any bad debt provision.

(iv) Hardship loans issued to coaches and venues to support them through the COVID-19 pandemic. The loans are measured at cost, interest free and repayable over 3 years.

LTA OPERATIONS LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

13. Deferred tax

	2020 £000	2019 £000
At 1 January	4,418	3,083
Charged to Income Statement	(557)	1,335
At 31 December	<u><u>3,861</u></u>	<u><u>4,418</u></u>

The deferred tax asset, of which £3,861,414 (2019: £4,417,702) has been recognised in these Financial Statements, is made up as follows:

	2020 £000	2019 £000
Deferred capital allowances	4,567	5,045
Short term timing differences	(48)	(33)
Other adjustments	(658)	(594)
	<u><u>3,861</u></u>	<u><u>4,418</u></u>

14. Cash at bank and in hand

	2020 £000	2019 £000
Cash at bank and in hand	11,804	12,219
	<u><u>11,804</u></u>	<u><u>12,219</u></u>

During 2020 the LTA arranged an overdraft facility of £15m, secured against the parent company's, Lawn Tennis Association Limited, £23m fixed asset investments, to mitigate any unexpected fluctuations in its forecast working capital.

The terms of the overdraft include an annual arrangement fee at 0.5% of the facility and interest charged at 1.75% above base rate on the amount drawn down. At the time of signing the Finance and Governance Report, the overdraft facility had not been drawn upon.

LTA OPERATIONS LIMITED

**Notes to the Financial Statements
For the Year Ended 31 December 2020**

15. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade payables	673	919
Amounts owed to parent undertaking (i)	88,774	83,374
Amounts owed to group undertakings (ii)	3,332	4,374
Corporation tax	-	958
Other creditors	381	73
Accruals and deferred income	8,083	7,363
Other taxation and social security	1,083	683
	<u>102,326</u>	<u>97,744</u>

(i) Amounts owed to parent undertakings represents intercompany loans that are measured at cost, interest free and repayable on demand.

(ii) Amounts owed to group undertakings represents intercompany loans that are measured at cost, interest free and repayable on demand.

16. Provisions for liabilities

	Specific provisions £000
At 1 January 2020	563
Charged to profit or loss	3,508
At 31 December 2020	<u><u>4,071</u></u>

Provisions include legal expenses (£104k), payroll costs (£400k) and Major Event ticket refunds (£3,567k) that are expected to be utilised.

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

17. Financial Commitments

At 31 December, the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Not later than 1 year	22	53
Later than 1 year and not later than 5 years	-	22
	<u>22</u>	<u>75</u>

In addition to the commitments under non-cancellable operating leases noted above, there is £821,165 (2019: £1,495,738) of loans which have been approved for payment to Places to Play but have not yet been paid out.

18. Called up share capital

	2020 £000	2019 £000
Authorised, allotted, called up and fully paid		
10,000,000 (2019 - 10,000,000) Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

19. Reconciliation of movements in equity

	2020 £000	2019 £000
At 1 January	(14,352)	(20,332)
(Loss)/profit for the financial year	(3,406)	5,980
At 31 December	<u>(17,758)</u>	<u>(14,352)</u>

20. Related party transactions

David Lloyd Leisure Limited

David Lloyd Leisure Limited is deemed a related party by virtue of common directorship. Scott Lloyd is a Non-Executive Director of Deuce Acquisitions Limited which is the holding company of David Lloyd Leisure Limited. In 2020, the LTA received income of £180 (2019: £86,926) and incurred costs of £20,829 (2019: £288,624) from David Lloyd clubs across the UK. As with all LTA registered venues, David Lloyd clubs benefitted from the LTA's COVID-19 support package that saw £80,208 of registration fees reimbursed. The balance owed by David Lloyd clubs at 31 December 2020 was £288 (2019: £288).

LTA OPERATIONS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2020

20. Related party transactions (continued)

The Wimbledon Championships

The LTA Group operates a joint arrangement under an agreement for the governance and operation of the Wimbledon Championships with The Club, AELTG and The All England Lawn Tennis Club (Wimbledon) Limited. In 2020, the Joint Management Committee of The Championships allocated 90% (2019: 90%) of the net surplus of The Championships to LTA Operations Limited. The LTA's share of the surplus of The Championships is based upon the audited financial statements prepared to 31 July 2019 and 2020.

The gross surplus of The Championships amounted to £36,089,914 (2019: £45,706,226). Net of withholding tax, officiating income, subvention income and income from the exercise of warrants over shares the surplus receivable by LTA Operations Limited amounted to £35,891,914 (2019: £44,878,528). The amount due from the Wimbledon Championships at 31 December 2020 was £39,769,914 (31 December 2019: £36,878,000).

The costs of officiating services are charged to The Championships. This represents the LTA's work in partnership with the Association of British Tennis Officials to manage, supply and pay the umpires and other officials who work at The Championships each year. In 2020 LTA Operations Limited recharged The Championships £450,166 (2019: £1,366,468) for these services.

In 2020, LTA Operations Limited received £5,100,000 (2019 reclassified: £5,300,000) subvention payment from The Championships to help fund grass-court tournaments in the periods before and after The Championships and a further £nil (2019: £497,351) to support the grass court venues of the Trophy Series and the prize money at the Men's ATP Challenger/Women's ITF Pro-circuit. LTA Operations Limited also purchased £nil (2019: £6,908,100) of tickets at face value from The Championships for onward sale and distribution.

21. Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Lawn Tennis Association Limited, which is the parent undertaking and the smallest and largest group to consolidate these financial statements. Copies of the Lawn Tennis Association Limited financial statements are available from Companies House.