Registered No: SC247045

# R&A Trust Company (No. 1) Limited

## Report and Financial Statements

31 December 2015

## Directors
C L A Edginton
D C Bonsall
G R Caldwell
R J G Cochrane
I G Davidson
R W Devlin
M N Donaldson
B W Gray
J M Kippax
I R H Pattinson
D I Turner
P M G Unsworth
G O Vero
M J Walker
A D Watson
D K Wybar

## Secretary
J F Murray CA

## Auditors
Ernst & Young LLP
G1
5 George Square
Glasgow
G2 1DY

## Bankers
HSBC Bank plc
82-84 High Street
Perth
PH1 5TH

The Royal Bank of Scotland plc
113 – 115 South Street
St Andrews
Fife
KY16 9QB

## Solicitors
Shepherd & Wedderburn
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

## Registered Office
Beach House
9-11 Golf Place
St Andrews
Fife KY16 9JA

The directors submit their Strategic report, their Directors' report and financial statements for the year ended 31 December 2015.

# Strategic report

## Principal Activity

The group's principal activities are to organise, manage and promote golf championships including The Open, act as the body responsible for the governance of the rules of the game of golf in our jurisdiction, support the development of golf nationally and internationally through the provision of grant funding and promote the sustainable development and management of golf courses in our jurisdiction.

## Business Review

2015 was a busy year for The R&A in all areas of its operations. The 144th Open was staged at St Andrews and was a successful event both operationally and commercially, despite the Championship being affected by poor weather which caused the event to be extended by one day. The income generated from the event allowed The R&A to fund its golf development and governance commitments. In 2015 this included grants payable totalling £5.0 million to various projects in our jurisdiction. During the year The R&A also promoted and funded, at no cost to the sport, a number of amateur championships including The Amateur Championship, The Walker Cup, The Boys Amateur Championship and The Seniors Open Amateur Championship, as well as partnering the European Tour in delivering The Senior Open Championship professional event.

The group has continued to invest in The Open brand with costs of £1.8 million having been incurred in 2015 to build upon the investment of £1.3 million made in 2014.

During the year, the work continued with the construction of an equipment test centre near St Andrews which will provide world class facilities for the group to help meet its governance duties in respect of the testing of golf equipment.

After all costs the group generated a profit of £2.2 million in the year to 31 December 2015. The group remains strong financially and well positioned to continue its role in the development of the game of the golf in our jurisdiction.

## Financial Review of the business and Future Developments

The group profit for the year after taxation amounts to £2,215,000 (2014 - £10,494,000)

| | 2015<br>£'000 | 2014<br>£'000 | Change<br>% |
|---|---|---|---|
| Group turnover | 68,759 | 63,252 | 9 |
| Operating profit | 1,498 | 8,921 | (83) |
| Profit after tax | 2,215 | 10,494 | (79) |
| Net assets | 105,605 | 104,607 | 1 |
| Average number of employees | 147 | 132 | |

# Strategic report (continued)

The group turnover increased by 9% during the year due to higher media rights income, sponsorship income and retail income relating to The Open held at St Andrews. During 2015 the group carried out a number of planned improvements to the staging of the Open including investment in the infrastructure to enhance the spectator experience. Significant costs were also incurred in successfully completing the brand development programme associated with The Open. Consequently the operating profit decreased by 83%, compared to 2014, which was in line with the group's financial forecast for the year. The Open was also badly disrupted by bad weather which led to a significant refund of ticket income on one day of the event after play was curtailed as well as additional staging costs being incurred as a result of the event being extended for an extra day.

The profit after tax decreased by 79% which is largely for the reasons given above in respect of the fall in operating profits, together with the fact there were lower profits generated from the sale of fixed asset investments in 2015 as compared to 2014.

During the year the value of the group's investments grew by £2.8 million to £83.8 million, taking account of the fact that the prior year valuation included £12.1 million which was reflected as a debtor at year end because the proceeds from the sale of three investments in late 2014 had not been received by year end.

The company has pension scheme net assets of £923,000, calculated in accordance with FRS102, compared to a net liability of £161,000 in the prior year. The increased asset has arisen largely as a consequence of an increase in corporate bond yields during the year which has resulted in a higher discount rate being applied in calculating the present value of the pension scheme's future liabilities, although this was partially offset by a small increase in the rate of market implied inflation which has the effect of increasing the pension scheme's future liabilities.

It is anticipated that the trading result for the company in 2016 will be slightly lower than in 2015, when The Open will be staged at Royal Troon because it is traditionally a venue which attracts lower volumes of spectators and expenditure is expected to be incurred in further enhancing the spectator experience at The Open, both for the attendees and those watching the broadcast coverage.

The company announced in February 2016 that an agreement in principle has been reached to merge with the Ladies Golf Union. The effective date of the merger is expected to be 1 January 2017, on which date the company expects to acquire the share capital of LGU Championships Limited. The business activities of the LGU will be transferred to the company. The merger of The R&A and the LGU is expected to strengthen the golf championships currently being staged by the respective parties and will provide a platform on which to further develop the sport of golf for women and girls around the world.

## Principal Risks and Uncertainties

The majority of the group's income is derived from the sale of rights in relation to The Open including broadcasting rights and sponsorship rights. The income from the broadcasting/sponsorship rights is secured through long term contracts, negotiated well in advance of the event, with broadcasters/sponsors in a range of territories around the world. The group is therefore exposed to the risk that this income stream may reduce in the future due to changes in market conditions. The group is able to mitigate that risk to a degree by contracting with a diverse group of broadcasters/sponsors and also by entering into long-term contracts with staggered expiry dates. The individual broadcasters/sponsors are generally strong financially which provides further comfort in this regard.

The group also enters into cancellation insurance policies many years in advance of each Open Championship to protect against the risk of losing income if the event were to be cancelled or curtailed for reasons beyond the group's control. The group's income is therefore protected to a large extent by these insurance programmes.

The majority of the group's income from broadcasters/sponsors is denominated in foreign currencies so the group utilises forward currency agreements to hedge against the risk of fluctuations in the value of Sterling against these foreign currencies. A significant element of the group's future contracted income in foreign currency has been sold forward to the end of 2017 which greatly reduces the currency risk in respect of these broadcasting/sponsorship contracts.

# **Strategic report** (continued)

At 31 December 2015, approximately 80% of the group's net assets are held in investments. The portfolio's asset allocation provides diversification across a wide range of investments, fund managers, geographies and currencies which helps to mitigate the risk of the investments' value being negatively impacted by movements in the financial markets.

## Financial Risk Management Policy

The group's principal financial instruments comprise investments, cash, cash equivalents and long term loans. Other financial assets and liabilities, such as trade debtors and creditors and group balances, arise directly from the group's operating activities.

The main risks associated with the group's financial assets and liabilities are set out below.

Significant financial risks from a group perspective are addressed on a case-by-case basis at group level.

*Investment policy*

In 2014, the directors engaged a new investment manager to manage the investment portfolio under a full, discretionary mandate together with a custodian. The investment manager's policy is to adopt a medium risk long term investment strategy based on a broadly diversified portfolio of various asset classes. Performance is monitored on a regular basis. The directors consider the investment portfolio to be of a long term nature.

*Interest rate risk*

The group invests surplus cash in floating rate interest yielding bank deposit accounts. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. Long term loans are largely made as part of the group's golf development activities and in the majority of cases are interest free. The group has made three long term loans which are interest bearing at contracted rates of interest.

*Price risk*

There is no significant exposure to changes in the carrying value of financial liabilities.

*Credit risk*

Sales transactions are with external third parties. The group therefore has the risk of exposure to external credit risk in respect of third party receivables as well as cash deposits. For long term loans, the accounts and cash flow forecasts of the applicants are assessed prior to granting the loan. The timely receipt of repayment instalments is monitored regularly. The directors are comfortable with the level of provision made against these long term loans at year end. The group holds its cash and deposits with major regulated financial institutions.

*Liquidity risk*

The group aims to mitigate liquidity risk by managing cash generated by its operations. Capital expenditure and long term loans are approved at group level. Flexibility is maintained by retaining surplus cash in readily accessible deposit accounts available on at most two day's notice.

*Foreign currency risk*

The group's principal transactions in foreign currency are denominated in U.S. dollars. Therefore, the group's income and cash flows arising from these transactions can be affected by movements in the U.S. dollar exchange rate. Hedging activity is undertaken to mitigate this risk by entering into forward foreign currency contracts to sell expected U.S. dollar receipts when rates appear favourable. The timing of entering into these forward sales contracts is decided at group level.

By order of the board

J F Murray CA
Secretary

11 March 2016

# Directors' report

## Directors and their interests

The directors of the company during the year were:

| | |
|---|---|
| Prof W Sibbett | (Resigned 24 September 2015) |
| CLA Edginton | |
| F K Andrews | (Resigned 24 September 2015) |
| D C Bonsall | (Appointed 24 September 2015) |
| G R Caldwell | (Appointed 24 September 2015 |
| R J G Cochrane | |
| I G Davidson | (Appointed 24 September 2015) |
| R W Devlin | (Appointed 24 September 2015) |
| M N Donaldson | |
| B W Gray | |
| C J Hilton | (Resigned 24 September 2015) |
| K H Hodgkinson | (Resigned 24 September 2015) |
| J M Kippax | |
| G Macgregor | (Resigned 24 September 2015) |
| I R H Pattinson | |
| N M S Rich | (Resigned 24 September 2015) |
| D I Turner | |
| P M G Unsworth | |
| G O Vero | |
| M J Walker | |
| A D Watson | (Appointed 24 September 2015) |
| D K Wybar | (Appointed 24 September 2015) |

None of the directors during the year held a beneficial interest in the issued share capital of the company.

## Directors' qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in Section 234d of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report. Directors' and Officers' liability insurance is maintained by the group for all directors and officers of the group.

## Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

# Directors' report

## Going Concern

The group's business activities, together with the factors likely to affect its future development, the group's financial position and the group's financial risk management policies are set out in the Strategic report.

The group has considerable financial resources together with long-term agreements with a number of customers, notably broadcasting and sponsorship agreements, across different geographical areas. The directors are not aware of any significant changes in the group's activities for the foreseeable future. The group is expected to generate positive cash flows for the foreseeable future. The group has centralised treasury arrangements and so shares banking arrangements with its subsidiaries. Consequently the directors believe that the group is well placed to continue to manage its business risks successfully.

The directors having made their own assessment of the group's financial position have a reasonable expectation that the group has adequate financial resources to continue to operate for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

## Auditors

In accordance with the provisions of Section 485 of the Companies Act 2006, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young LLP will continue in office as auditors.

By order of the board

J F Murray CA
Secretary

11 March 2016

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

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations (United Kingdom Generally Accepted Accounting Practice).

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 United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

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

# Independent auditor's report

**to the members of R&A Trust Company (No.1) Limited**

We have audited the financial statements of R&A Trust Company (No.1) Limited for the year ended 31 December 2015 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable to the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditor's report

**to the members of R&A Trust Company (No.1) Limited (continued)**

**Matters on which we are required to report by exception**

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

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

Ernst & Young LLP.

George Reid (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

11 March 2016

# Group Income Statement

**For the year ended 31 December 2015**

| | *Notes* | *2015* *£'000* | *2014* *£'000* |
|---|---|---|---|
| ***Turnover – continuing activities*** | 2 | 68,759 | 63,252 |
| Cost of sales | | 46,387 | 35,907 |
| ***Gross profit*** | | 22,372 | 27,345 |
| Administrative expenses | | 15,894 | 14,286 |
| Grants payable | | 4,978 | 4,131 |
| Other charitable donations | | 2 | 7 |
| | | 20,874 | 18,424 |
| ***Operating profit*** | 3 | 1,498 | 8,921 |
| Fair value adjustment on investments | | 1,613 | 2,433 |
| Profit on disposal of fixed asset investments | 7 | 71 | 10,290 |
| Net Interest receivable | 4 | 353 | 330 |
| Investment income | | 292 | 424 |
| Investment management fees | | (428) | (324) |
| Charitable donation of fixed asset investments | 6 | - | (9,995) |
| ***Profit on ordinary activities before taxation*** | | 3,399 | 12,079 |
| Tax on profit on ordinary activities | 8 | 999 | 1,585 |
| ***Profit for the financial year*** | | 2,400 | 10,494 |

# Group statement of comprehensive income

**For the year ended 31 December 2015**

| | *Notes* | *2015* *£'000* | *2014* *£'000* |
|---|---|---|---|
| Profit for the financial year | | 2,400 | 10,494 |
| Hedged forward exchange movement (net of tax) | | (2,236) | (2,761) |
| Remeasurement gains/(losses) on pension scheme | 18 | 1,019 | (2,314) |
| Total comprehensive income | 20 | 1,183 | 5,419 |

# Group statement of financial position

**At 31 December 2015**

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | £'000 | £'000 |
| ***Fixed assets*** | | | |
| Tangible assets | 10 | 5,126 | 4,172 |
| Investments | 11 | 84,030 | 68,896 |
| Loans | 12 | 6,058 | 6,083 |
| | | 95,214 | 79,151 |
| ***Current assets*** | | | |
| Stocks | 13 | 99 | 116 |
| Debtors | 14 | 17,341 | 29,641 |
| Short term deposits | | 14,265 | 11,259 |
| Cash at bank and in hand | | 6,713 | 6,299 |
| | | 38,418 | 47,315 |
| ***Creditors***: amounts falling due within one year | 15 | 26,166 | 20,612 |
| ***Net current assets*** | | 12,252 | 26,703 |
| ***Creditors***: amounts falling due after more than one year | 15 | 2,397 | 836 |
| ***Total assets less current liabilities*** | | 105,069 | 105,018 |
| ***Accruals and deferred income*** | | | |
| Deferred grants | 17 | 202 | 250 |
| ***Net assets***, excluding pension asset/( liability) | | 104,867 | 104,768 |
| Pension asset/(liability) net of tax | 18 | 923 | (161) |
| ***Net assets,*** including pension asset/(liability) | | 105,790 | 104,607 |
| ***Capital and reserves*** | | | |
| Called up share capital | 19 | 5,000 | 5,000 |
| Hedge reserve | 20 | (1,098) | 1,138 |
| Profit and loss account | 20 | 101,888 | 98,469 |
| | | 105,790 | 104,607 |

C L A Edginton CLA Edginton Director

G O Vero Director

11 March 2016

# Parent company statement of financial position

**At 31 December 2015**

| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 10 | 1,797 | - |
| Investments | 11 | 85,530 | 70,396 |
| Long term loans | 12 | 6,058 | 6,083 |
| | | 93,385 | 76,479 |
| ***Current assets*** | | | |
| Debtors | 14 | 167 | 12,525 |
| Short term deposits | | 14,265 | 11,259 |
| Cash at bank and in hand | | 4,617 | 2,832 |
| | | 19,049 | 26,616 |
| ***Creditors***: amounts falling due within one year | 15 | 18,906 | 22,758 |
| ***Net current assets*** | | 143 | 3,858 |
| ***Total assets less current liabilities*** | | 93,528 | 80,337 |
| ***Capital and reserves*** | | | |
| Called up share capital | 19 | 5,000 | 5,000 |
| Profit and loss account | 20 | 88,528 | 75,337 |
| | | 93,528 | 80,337 |

C L A Edginton C L A Edginton Director

G O Vero G O Vero Director

11 March 2016

# Group statement of cash flows

**For the year ended 31 December 2015**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| ***Net Cash inflow/(outflow) from operating activities*** | | |
| Operating profit | 1,498 | 8,921 |
| Increase in provisions | 187 | 152 |
| Depreciation | 1,074 | 1,117 |
| Grant received | 21 | 59 |
| Grants released | (69) | (65) |
| Gain on sale of fixed assets | (60) | (15) |
| Defined benefit pension current service charge less contributions paid | 2 | (181) |
| Decrease in stocks | 17 | 10 |
| Increase in debtors | (1,212) | (437) |
| Decrease/(increase) in debtors as a result of sale of investments | 12,145 | (12,145) |
| Increase in creditors | 6,551 | 2,391 |
| | 20,154 | (193) |
| ***Returns on investments and servicing of finance*** | | |
| Interest received | 351 | 200 |
| Interest paid | (5) | - |
| Investment income | 292 | 424 |
| Investment management fees | (428) | (324) |
| | 210 | 300 |
| ***Taxation*** | | |
| Corporation tax paid | (1,199) | (1,955) |
| Overseas tax paid | (172) | (171) |
| | (1,371) | (2,126) |
| ***Capital expenditure and financial investment*** | | |
| Purchase of tangible fixed assets | (2,052) | (1,788) |
| Proceeds from sale of tangible fixed assets | 84 | 101 |
| Payments to acquire investments | (37,561) | (52,425) |
| Proceeds from sale of investments | 23,926 | 71,252 |
| New long term loans advanced | (482) | (4,150) |
| Long term loans repayments received | 327 | 188 |
| Foreign exchange loss on investment purchase | 185 | - |
| Charitable donation of fixed asset investments | - | (9,995) |
| | (15,573) | 3,183 |
| ***Net cash inflow before management of liquid resources and financing*** | 3,420 | 1,164 |
| ***Management of liquid resources*** | | |
| Payments to acquire short term deposits | (3,006) | (3,778) |
| ***Increase/(decrease) in cash*** | 414 | (2,614) |

# Group statement of cash flows

**For the year ended 31 December 2015**

| | *2015* | *2014* |
|---|---|---|
| | *£'000* | *£'000* |
| ***Analysis of changes in net funds*** | | |
| Cash at bank and in hand | | |
| At beginning of year | 6,299 | 8,913 |
| Cashflows | 414 | (2,614) |
| At end of year | 6,713 | 6,299 |

# Notes to the financial statements

**at 31 December 2015**

## 1. Accounting policies

***Statement of compliance***

R&A Trust Company No 1 Limited is a limited liability company incorporated in Scotland.

The Group's financial statements have been prepared in accordance with FRS 102 as it applies to financial statements of the company for the year ended 31 December 2015.

The group transitioned from previously extant UK GAAP as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements of R&A Trust Company (No.1) Limited were approved by the Board of Directors on 11 March 2016.

***Basis of consolidation***

The group financial statements consolidate the financial statements of R&A Trust Company (No 1) Limited and all its subsidiary undertakings drawn up to 31 December 2015. No income statement is presented for R&A Trust Company (No.1) Limited as permitted by Section 408 of the Companies Act 2006.

***Judgements and key sources of estimation uncertainty***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements;

*a. Pensions*

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty. The Directors reflect the advice of an external pension actuary in preparing the valuation. In determining the appropriate discount rate, the Directors consider the interest rate on corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables.

*b. Investments*

Equity investments are recognised initially at fair value. Subsequently they are measured at fair value through profit or loss. Unlisted investments are recognised at Directors' valuation. The Directors' valuation of unlisted hedge funds and private equity investments reflects the advice of the investment managers.

Investments in subsidiaries are carried at cost less provision for permanent diminution in value. The movement in the value of investments, whether realised or unrealised, is shown in the income statement for that period.

# Notes to the financial statements

**at 31 December 2015**

## 1. Accounting policies *(continued)*

***Revenue recognition***

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for services provided. Revenue is recognised at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue from golf championships is recognised in the period in which the championship is staged. Revenue from other services is recognised when the service has been delivered.

Interest income is recognised as it accrues. Dividend income is recognised when the Group's right to receive payment is established.

***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include indirect costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets, other than assets under construction, to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful lives as follows:-

| | |
|---|---|
| Buildings | 25 to 50 years |
| Tenant's improvements | 10 years |
| Plant and equipment | 5 to10 years |
| Research equipment | 3 to 5 years |
| Furnishings and equipment | 5 years |
| Computer equipment | 3 years |
| Motor vehicles | 4 years |
| Archive film | 10 years |

***Stocks***

Stocks are stated at the lower of cost and net realisable value.

***Grants***

Grants payable are recognised when there is an obligation that it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of that obligation.

***Deferred tax***

Deferred taxation is recognised in respect of all timing differences which are timing differences between taxable profit and total comprehensive income that 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, with the following exceptions;

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance

  sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# Notes to the financial statements

**at 31 December 2015**

## 1. Accounting policies *(continued)*

***Derivative financial instruments and hedging***

The group uses derivative financial instruments (forward foreign currency contracts) to hedge its risks associated with foreign exchange rate fluctuations on forecasted transactions.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired the hedging relationship is formally designated and documented at its inception. Such hedges are expected at inception to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purposes of hedge accounting the hedges are classified as cash flow hedges. For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income while the ineffective portion is recognised in the income statement.

***Leased assets***

Rentals in respect of operating leases are charged to the income statement as incurred.

***Pensions***

The company participates in The Royal & Ancient Golf Club of St Andrews 1993 Retirement Benefits Scheme which has two sections, a defined benefit section and a defined contribution section.

*Defined benefit section*

The defined benefit section applies to members in employment up to 31 December 2004. From 1 January 2005, this section was closed to new members and increases in pensionable salary are limited to 1% above inflation for existing members from 1 January 2006.

Pension assets are measured using market values. Pension liabilities are measured using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service costs) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit surplus / liability by the discount rate at the start of the period taking into account any changes in the net defined benefit surplus / liability during the period as a result of contribution and benefit payments. The net interest is recognised in the income statement as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses and the return on the pension scheme assets (excluding amounts in net interest) are recognised immediately in the statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

# Notes to the financial statements

**at 31 December 2015**

## 1. Accounting policies *(continued)*

The defined benefit net pension asset or liability comprises the present value of the defined benefit pension obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities in the published bid price. The value of a net pension asset is limited to the amount which may be recovered through reduced future contributions.

R&A Group Services Limited (a wholly owned subsidiary of R&A Trust Company (No. 1) Limited) is the sponsoring employer of the defined benefit scheme as it has legal responsibility for the plan. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan to individual group entities.

*Defined contribution section*

The defined contribution section applies to new employees from 1 January 2005 and for members of the defined benefit section who receive promotion increases greater than 1% above inflation from 1 January 2006. Contributions are charged in the income statement as they become payable in accordance with the rules of the section.

***Foreign currencies***

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All difference are taken to the income statement.

***Loans***

Interest free loans made, which are basic financial instruments, are initially recorded at the present value of future receipts discounted at a market rate of interest. Loans that are receivable within one year are not discounted.

## 2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's principal activity, stated net of value added tax.

## 3. Operating profit

This is stated after charging:

| | | *2015* *£'000* | *2014* *£'000* |
|---|---|---|---|
| Depreciation of owned fixed assets | | 1,074 | 1,117 |
| Auditors' remuneration | - audit | 56 | 40 |
| | - taxation | 54 | 70 |
| | - other | 34 | 10 |
| Operating lease rentals | - land and buildings | 216 | 190 |
| | - vehicles | 38 | 7 |
| And after crediting: | | | |
| Gain on sale of tangible fixed assets | | 60 | 15 |

# Notes to the financial statements

**at 31 December 2015**

## 4. Interest

| ***Net interest receivable*** | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Interest income on pension scheme assets (note 18) | 1,104 | 1,238 |
| Interest expense on pension scheme liabilities (note 18) | (1,097) | (1,108) |
| | 7 | 130 |
| Other interest receivable | 351 | 200 |
| Other interest payable | (5) | - |
| | 353 | 330 |

## 5. Staff costs

| | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Wages and salaries | 5,679 | 4,965 |
| Social security costs | 611 | 529 |
| Pension costs - defined benefit | 829 | 631 |
| - defined contribution | 558 | 517 |
| | 7,677 | 6,642 |

The compensation paid to the group's key management personnel in respect of services provided to the group during the year was £1,446,000, being an apportionment of the total compensation costs.

The monthly average number of employees during the year was as follows:

| | *2015* *No.* | *2014* *No.* |
|---|---|---|
| Administration | 147 | 132 |

## 6. Charitable donation of fixed asset investments

During 2014 the company donated two investments valued at £9,995,000 to the charitable entities associated with the group, being a donation of £6,517,000 to The R&A Foundation and a donation of £3,478,000 to The Royal and Ancient Golf Club of St Andrews Trust (trading as The British Golf Museum) in support of their charitable activities.

## 7. Income from other fixed asset investments

Income from fixed asset investments includes unrealised movements in valuations. During 2014 R&A Championships Limited exercised certain warrants over shares. Following the exercise of these warrants, R&A Championships Limited sold the relevant shares, resulting in a gain of £7,393,000 which forms part of the profit on disposal of fixed asset investments during that year of £10,290,000.

# Notes to the financial statements

**at 31 December 2015**

## 8. Tax on profit on ordinary activities

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| ***a) The charge based on the profit for the year comprises:*** | | |
| Current tax: | | |
| UK corporation tax on profits of the year | 287 | 2,205 |
| Overseas taxation | 150 | 172 |
| Adjustments in respect of previous years | 426 | (158) |
| | 863 | 2,219 |
| Deferred tax: | | |
| Origination and reversal of timing differences | 186 | (642) |
| Adjustment in respect of previous years | (4) | 1 |
| Effect of changes in tax rates | (46) | 7 |
| | 136 | (634) |
| | 999 | 1,585 |

***b) Tax included in statement of comprehensive income***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Deferred tax: | | |
| Actuarial (loss)/gain on pension scheme | 264 | (579) |
| Effect of changes in tax rates | 39 | - |
| Hedged foreign exchange movements | (526) | (690) |
| Total tax (credit)/charge | (223) | (1,269) |

***c) Factors affecting the tax charge for the year***

The tax assessed on the profit on ordinary activities for the year is higher (2014 - lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Profit for the year on continuing operations | 3,399 | 12,079 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 –21.5%) | 688 | 2,597 |
| Effect of: | | |
| Disallowed expenses | 92 | 102 |
| Non-taxable income | (76) | (154) |
| Foreign tax suffered | 120 | - |
| Other | - | (16) |
| Tax rate changes | (46) | 7 |
| Fair value movement on investments | (201) | (794) |
| Adjustments in respect of previous years | 422 | (157) |
| Total tax charge for the year | 999 | 1,585 |

# Notes to the financial statements

**at 31 December 2015**

## 8. Tax on profit on ordinary activities *(continued)*

***d) Factors that may affect future tax charges***

The Finance Act 2013 reduced the main rate of corporation tax from 21% to 20%, effective from 1 April 2015. The Finance Act (No 2) 2015, which was substantively enacted on 26 October 2015, includes legislation to further reduce the main rate of corporation tax to 19%, effective from 2 April 2017, and to 18%, effective from 1 April 2020. The deferred tax asset in the accounts has been recognised at the rate at which timing differences are expected to reverse.

## 9. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £13,191,000 (2014 - loss £1,366,000).

## 10. Tangible fixed assets

*Group*

| | *Freehold land and Buildings* | *Archive film* | *Plant and equipment* | *Furnishings and equipment* | *Motor vehicles* | *Total* |
|---|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Cost | | | | | | |
| At beginning of year | 2,026 | 139 | 5,597 | 1,369 | 643 | 9,774 |
| Additions | 1,622 | 50 | 255 | 88 | 37 | 2,052 |
| Disposals | - | - | - | - | (208) | (208) |
| At end of year | 3,648 | 189 | 5,852 | 1,457 | 472 | 11,618 |
| Depreciation | | | | | | |
| At beginning of year | 579 | 126 | 3,271 | 1,220 | 406 | 5,602 |
| Charge for year | 133 | 1 | 715 | 88 | 137 | 1,074 |
| On disposals | - | - | - | - | (184) | (184) |
| At end of year | 712 | 127 | 3,986 | 1,308 | 359 | 6,492 |
| Net book value | | | | | | |
| At 31 December 2015 | 2,936 | 62 | 1,866 | 149 | 113 | 5,126 |
| At 31 December 2014 | 1,447 | 13 | 2,326 | 149 | 237 | 4,172 |

| | £'000 |
|---|---|
| Buildings comprises:- | |
| Freehold buildings | 698 |
| Building improvements | 1,047 |
| Building construction in progress | 1,797 |
| Land | 106 |
| | 3,648 |

The building construction in progress (£1,797,000) is the only tangible fixed asset in the statement of financial position of the parent company.

# Notes to the financial statements

**at 31 December 2015**

## 11. Investments

*Group*

| | *Cash* | *Listed* | *Unlisted* | *Total* |
|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* |
| At 1 January 2015 | 6,468 | 55,456 | 6,972 | 68,896 |
| Additions | 129 | 35,611 | 1,636 | 37,376 |
| Disposals | - | (21,615) | (2,240) | (23,855) |
| Fair value adjustment | - | 873 | 740 | 1,613 |
| At 31 December 2015 | 6,597 | 70,325 | 7,108 | 84,030 |
| Net book value at 31 December 2015 | 6,597 | 70,325 | 7,108 | 84,030 |
| Net book value at 1 January 2015 | 6,468 | 55,456 | 6,972 | 68,896 |

The historic cost of investments at 31 December 2015 is £79,125,000 (2014 – £64,119,000)

*Company*

| | *Cash* | *Listed* | *Unlisted* | *Subsidiary Undertakings* | *Total* |
|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| At 1 January 2015 | 6,468 | 55,456 | 6,972 | 1,500 | 70,396 |
| Additions | 129 | 35,611 | 1,636 | - | 37,376 |
| Disposals | - | (21,615) | (2,240) | - | (23,855) |
| Fair value adjustment | - | 873 | 740 | - | 1,613 |
| At 31 December 2015 | 6,597 | 70,325 | 7,108 | 1,500 | 85,530 |
| Net book value at 31 December 2015 | 6,597 | 70,325 | 7,108 | 1,500 | 85,530 |
| Net book value at 1 January 2015 | 6,468 | 55,456 | 6,972 | 1,500 | 70,396 |

The historic cost of investments at 31 December 2015 is £80,625,000 (2014 – £65,619,000).

# Notes to the financial statements

**at 31 December 2015**

## 11. Investments

*(continued)*

Investments categorised as Listed are held in Pooled Investment Vehicles whose underlying investments are predominantly assets with quoted prices in active markets but may also include a proportion of assets or liabilities for which prices have been derived via directly or indirectly observable market data.

During 2015, the company reinvested the proceeds of £12,145,000, recorded as a debtor balance at 31 December 2014, from three unlisted investments sold in late 2014.

The subsidiary undertakings, each of which is wholly owned, are as follows:

| *Name of company* | *Country of registration* | *Nature of business* |
|---|---|---|
| R&A Group Services Limited | Scotland | Financial, administrative and personnel services |
| R&A Championships Limited | Scotland | Organisation, management and promotion of Golf championships |
| R&A Rules Limited | Scotland | Governance of the rules of the game of golf and the provision of referees for golf championships. |
| R&A Nominees Limited | Scotland | Holding of securities in connection with loans granted for golf development |

## 12. Loans

| | *Group 2015 £'000* | *Group 2014 £'000* | *Company 2015 £'000* | *Company 2014 £'000* |
|---|---|---|---|---|
| At beginning of year | 6,083 | 2,263 | 6,083 | 2,263 |
| Advanced | 482 | 4,150 | 300 | 4,000 |
| Repaid | (355) | (216) | (355) | (216) |
| Provision | (180) | (142) | 2 | 8 |
| Deferred Interest | 28 | 28 | 28 | 28 |
| At end of year | 6,058 | 6,083 | 6,058 | 6,083 |

A loan was made of £664,000 (repayable in 2016) accruing interest at 3% per annum.

A secured loan of £1,000,000 was extended in 2014 (repayable in one tranche in 2025) accruing interest at 1.35% over the Bank of England base rate per annum from 1 January 2020.

A secured loan of £4,000,000 was made in 2014 (repayable in annual tranches of £250,000 from 2014 to 2019 and then £500,000 from 2020 to 2024) accruing interest at firstly 0.6% over the Bank of England base rate per annum from 1 October 2014 to 31 December 2019 and then 1.35% over the Bank of England base rate per annum from 1 January 2020 to 31 December 2024.

A loan of £1,000,000 was made in 1994 which is unsecured and repayable in annual tranches of £250,000 commencing on 1 July 2016.

A loan of £300,000 accruing interest at 2% was advanced during the year.

All other loans, which are principally for the development and improvement of golf courses, are secured (if over £30,000) and repayable by equal annual instalments over a period ranging from five to ten years.

Instalments repayable on loans within one year amount to £584,581 (2014 - £356,081).

# Notes to the financial statements
**at 31 December 2015**

## 13. Stocks

*Group*
Stocks comprise finished goods and goods for resale.

## 14. Debtors

| | *Group 2015 £'000* | *Group 2014 £'000* | *Company 2015 £'000* | *Company 2014 £'000* |
|---|---|---|---|---|
| Trade debtors | 13,816 | 12,841 | 164 | - |
| Amounts owed by related party (note 23) | 65 | 97 | - | - |
| Payments in advance | 1,208 | 1,522 | - | - |
| Other debtors | 1,575 | 636 | 3 | 142 |
| Sale of investments | - | 12,145 | - | 12,145 |
| Prepayments and accrued income | 615 | 978 | - | - |
| Forward foreign currency asset | - | 1,422 | - | - |
| Corporation Tax Recoverable | 62 | - | - | 238 |
| Deferred tax asset | - | - | - | - |
| | 17,341 | 29,641 | 167 | 12,525 |

The forward foreign currency asset in 2014 includes £455,000 in respect of a period greater than one year.

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

| | *Group 2015 £'000* | *Group 2014 £'000* | *Company 2015 £'000* | *Company 2014 £'000* |
|---|---|---|---|---|
| Trade creditors | 1,937 | 814 | 225 | 1 |
| Amounts owed to group undertakings | - | - | 17,482 | 21,755 |
| Amounts owed to related party (note 23) | 27 | 101 | - | - |
| Deferred income | 17,983 | 15,079 | - | - |
| Taxation and social security | 1,388 | 1,467 | - | - |
| Other creditors | 1,360 | 332 | - | 33 |
| Forward foreign currency liability | 311 | - | - | - |
| Accruals and deferred income | 2,867 | 1,750 | 248 | 56 |
| Corporation tax | - | 445 | 187 | - |
| Amount owed to group undertakings for group relief | - | - | 54 | - |
| Deferred tax liability (note 16) | 293 | 624 | 710 | 913 |
| | 26,166 | 20,612 | 18,906 | 22,758 |

| | | | | |
|---|---|---|---|---|
| **Creditors:** amounts after more than one year | | | | |
| Accruals and deferred income | 1,368 | 836 | - | - |
| Forward foreign currency liability | 1,029 | - | - | - |
| | 2,397 | 836 | - | - |

# Notes to the financial statements
**at 31 December 2015**

## 16. Deferred tax liability

| | *Group 2015 £'000* | *Group 2014 £'000* | *Company 2015 £'000* | *Company 2014 £'000* |
|---|---|---|---|---|
| Decelerated capital allowances | (19) | 29 | - | - |
| Short term timing differences | 46 | (544) | - | - |
| Non trading timing differences | (444) | 261 | - | (23) |
| Unrealised investment gains | 710 | 936 | 710 | 936 |
| | 293 | 624 | 710 | 913 |

## 17. Deferred grants

| | *2015 £'000* | *2014 £'000* |
|---|---|---|
| At beginning of year | 250 | 256 |
| Received during the year | 21 | 59 |
| Released during the year | (69) | (65) |
| At end of year | 202 | 250 |

## 18. Pension commitments

The group participates in The Royal & Ancient Golf Club of St Andrews 1993 Retirement Benefits Scheme. The defined benefit section of the pension scheme ("the section") requires contributions to be made to a separately administered fund.

The valuation used has been based on the most recent actuarial valuation at 31 December 2012 and was updated by Mercer to take account of the requirements under FRS 102 in order to assess the liabilities of the scheme at 31 December 2015. Scheme assets are stated at their market value at 31 December 2015.

The assets and liabilities of the schemes at 31 December 2015 are:

***Change in benefit obligation***

| | *2015 £'000* | *2014 £'000* |
|---|---|---|
| Benefit obligation at 1 January 2015 | 29,485 | 23,827 |
| Current service cost | 829 | 631 |
| Interest cost | 1,097 | 1,108 |
| Participant contributions | 91 | 89 |
| Benefits paid | (474) | (514) |
| Remeasurements – change in assumptions | (1,416) | 4,313 |
| Remeasurements – experience adjustments | - | 52 |
| Insurance premium for risk benefits | (17) | (21) |
| Benefit obligation at 31 December 2015 | 29,595 | 29,485 |

# Notes to the financial statements

**at 31 December 2015**

## 18. Pension commitments *(continued)*

***Analysis of defined benefit obligations***

| | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Plans that are wholly or partly funded | 29,595 | 29,485 |

***Change in scheme assets***

| | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Fair value of plan assets at 1 January 2015 | 29,284 | 26,208 |
| Interest income | 1,104 | 1,238 |
| Remeasurements – actual return on plan assets | (94) | 1,472 |
| Employer contribution | 827 | 812 |
| Participant contributions | 91 | 89 |
| Benefits paid | (474) | (514) |
| Insurance premium for risk benefits | (17) | (21) |
| Fair value of plan assets at 31 December 2015 | 30,721 | 29,284 |

***Funded status***

| | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Defined benefit pension scheme surplus/(deficit) | 1,126 | (201) |
| Effect of deferred tax | (203) | 40 |
| Amount recognised in Statement of Financial Position | 923 | (161) |

***Recognised in Income Statement***

| | *2015* *£'000* | *2014* *£'000* |
|---|---|---|
| Current service cost | 829 | 631 |
| Interest cost | 1,097 | 1,108 |
| Interest Income | (1,104) | (1,238) |
| Total pension cost recognised in the Income Statement | 822 | 501 |
| Remeasurement gains/(losses) recognised | 1,322 | (2,893) |
| Deferred taxation | (303) | 579 |
| Remeasurement gains/( losses) recognised in Statement of Comprehensive Income | 1,019 | (2,314) |

# Notes to the financial statements

**at 31 December 2015**

## 18. Pension commitments

*(continued)*

***Scheme assets at fair value***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| The fair value asset allocation at the year-end was as follows: | | |
| Equities | 21,670 | 20,238 |
| Debt instruments | 5,514 | 5,436 |
| Other | 3,537 | 3,610 |
| | 30,721 | 29,284 |

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Actual return on scheme assets | 1,010 | 2,710 |

| | 2015 | 2014 |
|---|---|---|
| **The weighted average assumptions used to determine benefit obligations:** | | |
| Discount rate | 3.95% | 3.75% |
| Rate of salary increase | 4.15% | 4.10% |
| Inflation Rate | 3.15% | 3.10% |
| Rate of pension increase | 3.10% | 3.10% |
| **The weighted average assumptions used to determine cost relating to defined benefit plans** | | |
| Discount rate | 3.75% | 4.70% |
| Rate of salary increase | 4.10% | 4.40% |
| Price inflation | 3.10% | 3.40% |
| Rate of pension increase | 3.10% | 3.40% |
| **Weighted average life expectancy for mortality tables used to determine benefit obligations at:** | | |
| ***Male*** | | |
| Member age 65 (current life expectancy) | 23.4 | 23.4 |
| Member age 40 (life expectancy at age 65) | 25.8 | 25.7 |
| ***Female*** | | |
| Member age 65 (current life expectancy) | 26.0 | 25.9 |
| Member age 40 (life expectancy at age 65) | 28.4 | 28.3 |

# Notes to the financial statements

**at 31 December 2015**

## 18. Pension commitments

*(continued)*

**Five year history**

| | *2015* | *2014* | *2013* | *2012* | *2011* |
|---|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| Benefit obligation at end of year | 29,595 | 25,946 | 20,471 | 19,335 | 18,161 |
| Fair value of plan assets at end of year | 30,721 | 25,745 | 22,852 | 19,970 | 17,138 |
| Surplus/(deficit) | 1,126 | (201) | 2,381 | 635 | (1,023) |

Contributions

The group expects to contribute around £855,000 to its pension plan in 2016.

## 19. Share capital

| *Group and company* | *2015* | *2014* |
|---|---|---|
| | *£'000* | *£'000* |
| Authorised | | |
| Ordinary shares of £1 each | 5,000 | 5,000 |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | 5,000 | 5,000 |

## 20. Reserves

| | *Hedge reserve* | *Profit and loss account* |
|---|---|---|
| *Group* | *£'000* | *£'000* |
| At beginning of year | 1,138 | 98,469 |
| Total recognised gains for the year | (2,236) | 3,419 |
| At end of year | (1,098) | 101,888 |

| | | |
|---|---|---|
| *Company* | | |
| At beginning of year | - | 75,337 |
| Total recognised gains for the year | - | 13,191 |
| At end of year | - | 88,528 |

# Notes to the financial statements
**at 31 December 2015**

## 21. Future financial commitments

| | *2015* | *2014* |
|---|---|---|
| | *£'000* | *£'000* |
| As at 31 December the future commitments were: | | |
| Interest bearing loan promised, but not yet advanced | 135 | 297 |
| Capital investments | 1,280 | 2,150 |
| Capital expenditure | 3,895 | 25 |
| | 5,310 | 2,472 |
| These commitments fall due for payment: | | |
| Within one year | 5,310 | 2,341 |
| After more than one year | - | 131 |
| | 5,310 | 2,472 |

## 22. Lease commitments

At 31 December the group had total commitments under non-cancellable operating leases as follows:

| | *2015* | *2014* |
|---|---|---|
| | *£'000* | *£'000* |
| Land and buildings: | | |
| Leases expiring in two to five years | 564 | 752 |
| Leases expiring in over five years (the parent company) | 6,108 | - |
| Motor vehicles: | | |
| Leases expiring in two to five years | 111 | 26 |
| | 6,783 | 778 |

## 23. Related party

In accordance with Accounting Standard FRS 102, the following information is being disclosed:

| | *Group* | *Group* | *Company* | *Company* |
|---|---|---|---|---|
| | *2015* | *2014* | *2015* | *2014* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| The Royal and Ancient Golf Club of St Andrews | | | | |
| Income | 701 | 617 | - | - |
| Expenditure | 1,027 | 929 | - | - |
| Debtors | 65 | 97 | - | - |
| Creditors | 27 | 101 | - | - |

Income comprises charges to related parties for administration expenses.

Expenditure comprises property costs and administrative expenses.

The company has taken advantage of the exemption in FRS 102 not to disclose transactions with its wholly owned subsidiaries.

## 24. Parent undertaking

The issued share capital of the company is held by Shepherd & Wedderburn (Nominees) Limited as nominee for the beneficial owners, The Royal and Ancient Golf Club of St Andrews.

# Notes to the financial statements
**at 31 December 2015**

## 25. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1st January 2014. The impact from the transition to FRS 102 is as follows:

**Reconciliation of equity at 1 January 2014**

| | £'000 Group | £'000 Company |
|---|---|---|
| Equity Shareholder's funds at 1 January 2014 under previous UK GAAP | 97,763 | 83,161 |
| Holiday pay accrual | (50) | - |
| Grant commitment accrual | (1,220) | - |
| Foreign exchange gains - hedged | 4,874 | - |
| Deferred loan interest | (143) | (143) |
| Deferred tax | (692) | 29 |
| Deferred tax on investment movements | (1,344) | (1,344) |
| Equity Shareholder's funds at 1 January 2014 under FRS 102 | 99,188 | 81,703 |

**Reconciliation of equity at 31 December 2014**

| | £'000 | £'000 |
|---|---|---|
| Equity Shareholder's funds at 31 December 2014 Under previous UK GAAP | 105,953 | 81,232 |
| Holiday pay accrual | (53) | - |
| Grant commitment accrual | (1,934) | - |
| Foreign exchange gains - hedged | 1,422 | - |
| Deferred loan interest | (115) | (115) |
| Investment income debtor | 133 | 133 |
| Deferred tax | 137 | 23 |
| Deferred tax on investment movements | (936) | (936) |
| Equity Shareholder's funds at 31 December 2014 Under FRS 102 | 104,607 | 80,337 |

The following were changes in accounting policies arising from the transition to FRS 102:

**Holiday pay accrual**

Under FRS 102, the company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the statement of financial position. The company had not previously accrued for short-term compensated absences. The impact is to increase holiday pay accrued by £50,000 and £53,000 at 1 January 2014 and 31 December 2014 respectively.

**Deferred Tax**

Deferred tax has been recognised on all remeasurements arising from the adoption of FRS 102.

# Notes to the financial statements
**at 31 December 2015**

## 25. Transition to FRS 102
*(continued)*

**Reconciliation of profit and loss for the year ended 31 December 2014**

| | *£'000* *Group* | *£'000* *Compamy* |
|---|---|---|
| Profit for the year ended 31 December 2014 under previous UK GAAP | 8,231 | (4,481) |
| Increase in holiday pay accrual | (3) | - |
| Grant commitments | (714) | - |
| Deferred loan interest | 28 | 28 |
| Investment Value Movement | 2,433 | 2,433 |
| Restatement of pension scheme to Income Statement | (348) | - |
| Deferred tax on pension scheme restatement | 69 | - |
| Investment income debtor | 133 | 133 |
| Corporation Tax on Investment value movement | 119 | 119 |
| Deferred Tax | 546 | 402 |
| | 10,494 | (1,366) |

The following were changes in accounting policies arising from the transition to FRS 102:

**Holiday pay accrual**
As a result of the requirement to accrue for holiday that was earned but not taken at the date of the statement of financial position, there is a charge of £3,000 to the income statement for the year ended 31 December 2014, recognising the increase in the holiday pay accrual over the year.

**Grant commitments**

As a result of the requirement to provide for grants payable when there is an obligation, there is a charge of £714,000 to the income statement for the year ended 31 December 2014.

**Deferred Interest**
Interest free loans are discounted to impute an annual interest charge.

**Investments**
Unrealised investment value movements (and their related tax) are now accounted for in the income statement, as opposed to the statement of comprehensive income.

**Pension scheme**
£348,000 (and the related deferred tax of £69,000) has been accounted for in the income statement as opposed to the statement of comprehensive income.

**Investment income**
Investment income receivable, but not paid prior to the year end, is accrued.

**Foreign exchange gains - hedged**
Under previous UK GAAP, forward foreign currency contracts were recorded at the contracted rate in the year to which the contract related. Under FRS 102, these are recorded on the balance sheet at fair value at the end of the reporting period. These contracts are treated as cash flow hedges with the change in fair value recognised in other comprehensive income.

**Deferred tax**
Deferred tax has been recognised on remeasurements arising from the adoption of FRS 102.

# Notes to the financial statements

**at 31 December 2015**

## 26. Financial Instruments

| | *Group 2015 £'000* | *Group 2014 £'000* | *Company 2015 £'000* | *Company 2014 £'000* |
|---|---|---|---|---|
| *Financial assets at fair value through income statement* | | | | |
| Investments | 84,030 | 68,896 | 84,030 | 68,896 |
| *Financial assets at fair value through other comprehensive income* | | | | |
| Forward foreign currency contracts | - | 1,422 | - | - |
| *Financial assets that are equity instruments measured at cost less impairment* | | | | |
| Investments in subsidiaries | - | - | 1,500 | 1,500 |
| *Financial assets that are debt instruments measured at amortised cost* | | | | |
| Loan notes | 6,058 | 6,083 | 6,058 | 6,083 |
| Other debtors | 1,575 | 636 | 3 | 142 |
| *Financial liabilities at fair value through other comprehensive income* | | | | |
| Forward foreign currency contracts | 1,340 | - | - | - |
| *Financial liabilities measured at amortised cost* | | | | |
| Other creditors | 1,360 | 332 | - | 33 |

The group uses forward foreign currency contracts to hedge risk associated with foreign exchange rate fluctuations on forecasted transactions. These hedges are classified as cash flow hedges. The change in fair value of the hedging instruments recognised in other comprehensive income during the year was £2,236,000 (net of taxes) (2014 - £2,761,000).