Registered No: SC247045

R&A Trust Company (No. 1) Limited

Report and Financial Statements

31 December 2020

Directors
I R H Pattinson
I Armitage
A M Bisset
J G Clark
C Dowling
C L A Edginton
Dr T S Farmer
N A Farquharson
M E M Hattrell
D C Meacher
J R Monroe
J D Norbury
E M Paterson
J W G Patrick

Secretary
J F Murray CA

Auditors
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
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Beach House
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The directors submit their Strategic report, their Directors' report and financial statements for the year ended 31 December 2020.

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

2020 was an extremely challenging year for R&A Trust Company (No. 1) Limited and its subsidiaries (together The R&A), with the coronavirus pandemic having an impact on all areas of its operations.

The 149th Open was scheduled to be staged at Royal St Georges in Kent in July but based on guidance from the UK Government, the health authorities, public services and The R&A's advisers it was necessary to cancel the championship due to the impact of the coronavirus pandemic. It was the first time since the Second World War that golf's original Championship, first played in 1860, was cancelled.

The AIG Women's Open was successfully staged at Royal Troon in August, albeit without spectators as a consequence of the coronavirus pandemic.

The Senior Open Championship, which is co-owned with the European Tour, was due to be staged at Sunningdale Golf Club in July but was cancelled for the first time in its history due to the coronavirus pandemic.

A number of The R&A's amateur championships also had to be cancelled or postponed as a consequence of the coronavirus pandemic, both in the UK and internationally. The R&A was able to successfully stage and fund The Amateur and The Women's Amateur in England in August.

The R&A had insurance policies in place which mitigated the financial impact of the cancellation of these various championships to a large extent. Consequently The R&A's profits were protected to a large extent with the group delivering an operating profit of £15.4 million (2019 - £13.5 million).

Despite these challenges, during 2020 The R&A continued to deliver its strategy for the development of the sport around the world in seeking to ensure that golf continues to thrive in 50 years' time. This strategy is encapsulated in The R&A's Playbook which is available at www.randa.org/playbook

The R&A is aiming to invest £200 million into the sport of golf over a 10-year period across its golf development activities, its governance responsibilities and its amateur championships. 2020 was the fourth year of this programme and saw The R&A invest £22.0 million into the sport, bringing the total investment since that initiative was launched in 2017 to £72.4 million. During 2020, this included The R&A's Covid-19 Support Fund which was launched in May and provided £7 million to support golf affiliates, golf clubs and facilities around the world as they dealt with the impact of the coronavirus pandemic.

During 2020 The R&A continued to fund its golf development and governance commitments, with grants payable totalling £2.4 million (2019- £3.0 million) to various projects in our jurisdiction, as well as charitable donations to The R&A Foundation of £13.5 million (2019 - £5.9 million) to support the charity's work in developing the sport in our jurisdiction, including The R&A's Covid-19 Support Fund.

Strategic report *(continued)*

The R&A has worked with the United States Golf Association ("USGA") in delivering a single World Handicap System for the sport around the world. The new system was introduced with effect from 1 January 2020 and replaced the six different handicap systems previously in use around the world. This initiative is jointly funded by The R&A and the USGA.

The R&A is also continuing to work with the USGA to research the long term impacts of hitting distance in golf.

On 1 September 2020 the group migrated to a new financial accounting system. The cloud-based Enterprise Resource Planning ("ERP") system provides an enhanced platform for recording all of the group's accounting transactions and offers improved financial reporting capabilities for the group.

After all costs the group generated a profit of £10.5million in the year to 31 December 2020 (2019 - £18.1 million). The group remains strong financially and well positioned to continue its role in the development of the game of golf in our jurisdiction.

Financial review of the business and future developments

The group profit for the year after tax amounts to £10,496,000 (2019 - £18,131,000)

	2020	2019
	£'000	£'000
Group turnover	13,429	107,978
Other operating income	52,292	-
Operating profit	15,361	13,507
Profit after tax	10,496	18,131
Net assets	158,668	148,190
Average number of employees	184	221

The group turnover fell significantly during 2020, with media rights income, sponsorship income, ticketing income, hospitality income and retail income all being reduced as a consequence of the cancellation of a number of championships, including The Open, the Senior Open Championship and the Women's Amateur Asia-Pacific Championship.

However, insurance recoveries received following the cancellation of these championships ensured the group was able to deliver operating profits for the year of £15.4 million, up from £13.5 million in 2019. This increased operating profit was after grants payable in the year of £2.4 million down from £3.0 million in the prior year. R&A Group also made charitable donations to The R&A Foundation of £13.5 million during the year, up from £5.9 million in 2019 to support the charity's work in developing the sport in our jurisdiction.

The coronavirus pandemic had a significant impact on the group's day-to-day operations in 2020. The group adjusted its working practices and activated contingency plans to ensure the business was protected against any potential operational impact. The health and safety of the group's employees has been, and continues to be, the primary concern. The group took action to support all of its teams located in the UK and Singapore, in ensuring they had full access to our broader resources. The group bolstered the resilience of its IT systems and the vast majority of staff have been fully equipped to enable them to work remotely, with minimal disruption to the business activities. The group has taken all necessary measures to remain compliant with guidance being issued by governments in those locations. Certain lockdown restrictions in respect of the coronavirus pandemic are beginning to be lifted in the UK, however there is still a level of uncertainty as to when all operations will be able to resume as normal. The group will continue to monitor

Strategic report *(continued)*

the situation and take the actions necessary. Plans are in place to allow staff to return to the group's offices when it is safe to do so in accordance with government guidance.

The UK left the European Union on 31 January 2020 and the Brexit transition period was then in place until 31 December 2020. Brexit has not had a significant impact on the group's trading activities during the year. The potential risks associated with Brexit had been largely priced into the valuation of investments by the financial markets prior to the UK leaving the European Union and consequently there was not any significant impact on the valuation of investments during the year.

Preparations are underway to stage The Open at Royal St Georges in July 2021 with contingency plans in place which should allow the championship to be staged safely taking account of the restrictions which may be in place at that time related to the coronavirus pandemic. Detailed scenario planning has been undertaken, in consultation with the health authorities and public services, to allow the infrastructure to be flexed to accommodate the number of attendees appropriate to any restrictions which may still be in place at the time of the championship. The group again has an insurance policy in place in respect of The Open which would mitigate the financial impact of the coronavirus pandemic to a large extent.

In 2017 R&A Trust Company (No. 1) Limited acquired the entire share capital of LGU Championships Limited for consideration of £1. The R&A acquired net assets valued at £1.6 million whilst recognising all of the liabilities of LGU Championships Limited. This transaction in the prior year resulted in negative goodwill of £1.6 million, being the excess of the fair value of acquired net assets over the cost of the acquisition. This negative goodwill has been recorded in the group's year-end statement of financial position as £570,000 (2019 - £602,000) after having released £31,000 through the income statement in 2020, that release reflecting the benefit received during the year of the negative goodwill.

The group's pension scheme net asset, calculated in accordance with FRS102, as at 31 December 2020 was restricted to £nil, as was the case in the prior year. The net asset, prior to being restricted, reduced during the year largely as a consequence of a decrease in corporate bond yields during the year which resulted in a lower discount rate being applied in calculating the present value of the pension scheme's future liabilities. The effect was compounded by an increase in the inflation assumptions used in the valuation. This was offset in part by higher than anticipated investment returns.

The defined benefit section of the pension scheme was closed to future accrual with effect from 31 December 2018. The defined contribution section of the pension scheme was transferred to a master trust arrangement with effect from 1 January 2019.

The profit after tax was £10.5 million (2019 - £18.1 million) and includes an upwards fair value adjustment of £11.8 million in respect of the group's investment portfolio compared to an increase in the fair value of £11.8 million in the prior year. The group's investment portfolio is valued at £134.2 million at the statement of financial position date.

The group uses derivative financial instruments (forward foreign currency contracts) to hedge its risks associated with foreign exchange rate fluctuations on contracted US dollar income. The forward currency contracts are entered into a number of years in the future taking account of the future contracted US dollar income. The group has entered into a number of forward foreign currency contracts which relate to periods beyond 31 December 2020 to hedge the risks associated with future foreign exchange rate fluctuations.

Under the accounting standard FRS102, at the statement of financial position date the group is required to reflect the fair value of the future contracted US dollar income and the fair value of the forward foreign currency contracts being used to hedge that income stream. This policy of fair value hedge accounting results in the future US dollar income being recorded as an asset and the forward foreign currency contracts being recorded as a liability at the statement of financial position date. There is an element of ineffectiveness in this hedging during 2020 and the resultant foreign exchange loss of £84,000 (2019 - £106,000 loss) has been reflected in the income statement.

Strategic report *(continued)*

Despite the ongoing impact of the coronavirus pandemic, taking account of the insurance policy in place, it is anticipated that the group's financial position during 2021 will continue to be strong.

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 in respect 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. These insurance policies provide protection from the impact of a number of force majeure events. The group's income is therefore protected to a large extent by these insurance programmes.

In addition as a consequence of the cancellation insurance market having tightened following the impact of the coronavirus pandemic, the group has establish a self-insurance programme with a significant portion of its investment portfolio being ring-fenced and managed conservatively to provide funding should the group face event cancellations in the future for which no insurance policy was available.

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.

At 31 December 2020, the group's net assets included investments of £134.2 million. 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, forward foreign currency contracts 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 management risk
The group invests in quoted and unquoted investments which may fall in value as a result of market conditions. The directors have engaged an investment manager to manage the investment portfolio under a full, discretionary mandate. 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.

Strategic report *(continued)*

Interest rate risk
The group invests surplus cash in short-term money market funds including certificates of deposit, fixed rate and floating rate bonds, as well as 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 seven long term loans all of 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 days' 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. The timing of entering into these forward sales contracts is decided at group level.

By order of the board

J F Murray CA
Secretary

4 May 2021

Directors' report

Directors and their interests

The directors of the company during the year were:

I R H Pattinson		
I Armitage		
A M Bisset		
J G Clark		
C Dowling		
C L A Edginton		
Dr T S Farmer	-	Appointed 24 September 2020
N A Farquharson		
C P Harrison	-	Resigned 24 September 2020
M E M Hattrell		
J S McArthur	-	Resigned 24 September 2020
D C Meacher		
J R Monroe	-	Appointed 24 September 2020
J D Norbury		
E M Paterson	-	Appointed 1 January 2021
J W G Patrick	-	Appointed 24 September 2020
R H Rae	-	Resigned 24 September 2020
H P Wilson	-	Resigned 1 January 2021

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

Directors' report *(continued)*

- 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.

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.

In assessing the basis of preparation of the financial statements, we have undertaken a rigorous assessment of going concern, considering financial forecasts and scenario analysis to test the adequacy of the group's liquidity. This assessment included multiple downside scenarios which specifically model the potential impact of the coronavirus pandemic on the group's performance. We have also given consideration to the following factors:

- the majority of the group's business is based around the staging of The Open. The group's insurance policy for this championship, affords a large degree of insulation against any potential loss of net revenue arising from any cancellation, curtailment or postponement of the event;
- taking account of the liquidity of the group's investments, the group would be able to generate positive cash flows even under the worst-case scenario model and further mitigations have been identified to preserve cash if required to provide additional comfort regarding liquidity;
- the group has centralised treasury arrangements and so shares banking arrangements with its subsidiaries.

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 company's financial position have a reasonable expectation that the company has adequate financial resources to continue to operate for at least the period of the assessment to 31 December 2022. 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

4 May 2021

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

Opinion

We have audited the financial statements of R&A Trust Company (No. 1) Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Group income statement, the Group statement of comprehensive income, the Group statement of changes in equity, the Group statement of financial position, the Parent company statement of financial position, the Group statement of cash flows and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independent auditor's report

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

Other information

The other information comprises the information included in the annual report set out on pages 2-8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company and determined that the most significant are those that relate to the reporting framework (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK and Ireland. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the group and parent company financial statements and those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices;
- We understood how R&A Trust Company (No.1) Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the board minutes and papers provided to the Finance Committee, as well as consideration of the results of our audit procedures across the group to either corroborate or provide contrary evidence which was then followed up;
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur, by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included agreeing revenue to underlying contracts to ensure recognised in line with services provide, agreeing investment revenue to dividend or distribution announcements, testing revenue cut off at the year end, testing manual journals to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify non compliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and a review of Finance Committee minutes to identify any non compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Sue Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
7 May 2021

Group income statement

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover – continuing activities	2	13,429	107,978
Cost of sales		(24,810)	(66,982)
Gross (loss) / profit		(11,381)	40,996
Administrative expenses		(23,225)	(24,557)
Release of negative goodwill		32	31
Grants payable		(2,356)	(2,963)
Other operating income	3	52,291	-
		26,742	(27,489)
Operating profit	3	15,361	13,507
Fair value adjustment on investments	11	11,806	11,795
(Loss)/profit on disposal of fixed asset investments		(232)	887
Exchange (loss)/profit on investment portfolio cash		(468)	953
Net interest receivable	4	382	573
Investment income		371	571
Investment management fees		(567)	(534)
Charitable donation	6	(13,544)	(5,863)
Profit on ordinary activities before taxation		13,109	21,889
Tax on profit on ordinary activities	7	(2,613)	(3,758)
Profit for the financial year		10,496	18,131

Group statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit for the financial year		10,496	18,131
Cash flow hedges	25	-	132
Remeasurement gains on pension scheme	19	(18)	553
Deferred tax on cash flow hedges	25	-	(25)
Total comprehensive income		10,478	18,791

Group statement of changes in equity

For the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Hedge Reserve £'000	Total £'000
At 1 January 2019	5,000	124,506	(107)	129,399
Profit for the year	-	18,131	-	18,131
Cash flow hedges	-	-	132	132
Deferred tax	-	-	(25)	(25)
Remeasurement gain on pension scheme	-	553	-	553
As at 31 December 2019	5,000	143,190	-	148,190
Profit for the year	-	10,496	-	10,496
Remeasurement gain on pension scheme	-	(18)	-	(18)
As at 31 December 2020	5,000	153,668	-	158,668

Group statement of financial position

At 31 December 2020

	Notes	2020	2019
		£'000	£'000
Fixed assets			
Intangible assets	9	642	671
Tangible assets	10	11,908	13,063
Investments	11	134,240	121,049
Negative goodwill	12	(570)	(602)
Loans	13	5,187	5,037
		151,407	139,218
Current assets			
Stocks	14	1,559	365
Debtors	15	28,756	29,963
Firm commitments subject to fair value hedges due in less than one year		2,222	2,879
Firm commitments subject to fair value hedges due in more than one year		1,412	5,619
Short term deposits		3,876	9,128
Cash at bank and in hand		21,068	17,923
		58,893	65,877
Creditors: amounts falling due within one year	16	(49,233)	(50,243)
Net current assets		9,660	15,634
Total assets less current liabilities		161,067	154,852
Creditors: amounts falling due after more than one year	16	(2,030)	(6,508)
Accruals and deferred income			
Deferred grants	18	(369)	(154)
Net assets, excluding pension asset		158,668	148,190
Pension asset net of tax	19	-	-
Net assets		158,668	148,190
Capital and reserves			
Called up share capital	20	5,000	5,000
Hedge reserve		-	-
Profit and loss account		153,668	143,190
		158,668	148,190

Ian Pattinson

I R H Pattinson Director

N A Farquharson Director

4 May 2021

Company Registration Number: SC247045

Parent company statement of financial position

At 31 December 2020

	Notes	*2020*	*2019*
		£'000	*£'000*
Fixed assets			
Tangible assets	10	4,900	5,196
Investments	11	135,740	122,549
Loans	13	5,159	4,773
		145,799	132,518
Current assets			
Debtors	15	767	445
Short term deposits		3,877	17,923
Cash at bank and in hand		12,849	4,383
		17,493	22,751
Creditors: amounts falling due within one year	16	(40,646)	(39,158)
Net current liabilities		(23,153)	(16,407)
Total assets less current liabilities		122,646	116,111
Capital and reserves			
Called up share capital	20	5,000	5,000
Profit and loss account		117,646	111,111
		122,646	116,111

Ian Pattinson

I R H Pattinson Director

N A Farquharson Director

4 May 2021

Company Registration Number: SC247045

Group statement of cash flows

For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Net Cash inflow from operating activities		
Operating profit	15,361	13,507
Release of negative goodwill	(32)	(31)
Increase/(decrease) in provisions	40	(4)
Depreciation - tangible assets	1,776	1,664
Depreciation - intangible assets	295	262
Grant received	316	108
Grants released	(101)	(58)
Gain on sale of fixed assets	(6)	-
Defined benefit pension administrative expenses	60	-
Increase in stocks	(1,194)	(28)
Decrease in debtors	1,167	102
Decrease in fair value of firm commitments	4,864	7,038
Decrease in fair value of forward foreign currency liabilities	(4,779)	(6,933)
Decrease in creditors	(2,133)	4,635
	15,634	20,262
Investing activities		
Interest received	290	648
Investment income	371	571
Investment management fees	(567)	(534)
	94	685
Taxation		
Corporation tax paid	(1,140)	(1,190)
Overseas tax paid	(49)	(282)
	(1,189)	(1,472)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(631)	(3,692)
Proceeds from sale of tangible fixed assets	16	-
Purchase of intangible fixed assets	(266)	(477)
Payments to acquire investments	(24,450)	(32,996)
Proceeds from sale of investments	23,208	27,630
New long-term loans advanced	(464)	(369)
Long-term loans repayments received	328	640
Foreign exchange gain on investment purchase	(375)	(107)
Exchange (loss)/profit on investment portfolio cash	(468)	953
Charitable donation of fixed asset investments and cash	(13,544)	(5,863)
	(16,646)	(14,281)

Group statement of cash flows

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Net cash (outflow)/inflow before management of liquid resources and financing	(2,107)	5,194
Management of liquid resources		
Receipts from short term deposits	5,252	2,146
Increase in cash	3,145	7,340
Analysis of changes in net funds		
Cash at bank and in hand		
At beginning of year	17,923	10,583
Cashflows	3,145	7,340
At end of year	21,068	17,923

Notes to the financial statements

at 31 December 2020

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 2020.

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 4 May 2021.

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.

In assessing the basis of preparation of the financial statements, we have undertaken a rigorous assessment of going concern, considering financial forecasts and scenario analysis to test the adequacy of the group's liquidity. This assessment included multiple downside scenarios which specifically model the potential impact of the coronavirus pandemic on the group's performance. We have also given consideration to the following factors:

- the majority of the group's business is based around the staging of The Open. The group's insurance policy for this championship, affords a large degree of insulation against any potential loss of net revenue arising from any cancellation, curtailment or postponement of the event;

- taking account of the liquidity of the group's investments, the group would be able to generate positive cash flows even under the worst-case scenario model and further mitigations have been identified to preserve cash if required to provide additional comfort regarding liquidity;

- the group has centralised treasury arrangements and so shares banking arrangements with its subsidiaries.

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 company's financial position have a reasonable expectation that the company has adequate financial resources to continue to operate for at least the period of the assessment to 31 December 2022. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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 2020. No income statement is presented for R&A Trust Company (No.1) Limited as permitted by Section 408 of the Companies Act 2006.

Notes to the financial statements

at 31 December 2020

1. Accounting policies *(continued)*

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 statement of financial position 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. The defined benefit section of the pension scheme was closed to future accrual with effect from 31 December 2018. The surplus on the defined benefit scheme was restricted to £nil at 31 December 2020.

b. *Investments*

The Company's investments are designated upon initial recognition at fair value through profit and loss and are measured at subsequent reporting dates at fair value. For listed investments, fair value is deemed to be the bid market value. Unlisted investments are valued at fair value by the Directors following the advice of the investment managers. The investment managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV').

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.

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.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such costs include indirect costs directly attributable to making the asset capable of operating as intended. Amortisation is provided on all intangible fixed assets to write off the cost of each asset on a systematic basis over the expected useful lives as follows:-

Software	4 years

Notes to the financial statements

at 31 December 2020

1. Accounting policies *(continued)*

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 the 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

Negative goodwill

Negative goodwill arising on an acquisition is carried on the statement of financial position and released to the income statement in the period in which the non-monetary assets to which it relates are recovered or in respect of the remaining balance, the period expected to benefit which is anticipated to be six to 21 years, depending on the asset class.

Stocks

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

Grants payable

Provisions for grants payable are recognised when there is an obligation, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of that obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the statement of financial position date.

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 exception;

- 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 statement of financial position date.

Notes to the financial statements

at 31 December 2020

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 and contracted turnover a number of years into the future.

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 or fair values 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.

When applying FRS 102 for the first time in 2015 all derivatives were designated as cash flow hedges of future revenue. With effect from 1 January 2016 all derivatives were designated as fair value hedges of firm commitments for future revenue.

For cash flow hedges the effective portion of the gain or loss on the derivative hedging instrument was recognised initially in other comprehensive income and is reclassified to profit or loss when the hedged revenue is recognised.

For fair value hedges, gains and losses on the derivative hedging instrument are recognised in profit or loss. The cumulative change in fair value of the hedged firm commitment that is attributable to the hedged foreign currency risk is recognised as an asset or liability with a corresponding gain or loss in profit or loss.

Leased assets

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

Pensions

The company participates in The R & A Group Services Limited Pension 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.

The defined benefit section was closed to future accrual with effect from 31 December 2018.

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.

Notes to the financial statements

at 31 December 2020

1. Accounting policies *(continued)*

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.

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 under the rules of the pension scheme.

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.

The defined contribution section of the pension scheme was transferred to a master trust arrangement with effect from 1 January 2019.

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 statement of financial position date. All differences 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.

Turnover includes recycled amounts of £Nil (2019 - £144,000) in respect of cash flow hedges and fair value hedge movements of a £84,000 loss (2019 - £106,000 loss).

Notes to the financial statements
at 31 December 2020

3. Operating profit

		2020	2019
This is stated after charging:		£'000	£'000
Depreciation of owned tangible fixed assets		1,776	1,664
Amortisation of owned intangible fixed assets		295	262
Auditors' remuneration	- audit	69	64
	- taxation	70	70
	- other audit services	6	18
	- other	19	31
Operating lease rentals	- land and buildings	365	402
	- vehicles	103	136
	- equipment	2	3
And after crediting:			
Profit on sale of tangible fixed assets		6	-
Other operating income		52,291	-

The insurance monies received under event cancellation policies in respect of the championships which were cancelled during the year of £52.3 million have been recorded within other operating income.

4. Interest

	2020	2019
	£'000	£'000
Net interest receivable		
Interest income on pension scheme assets (note 19)	926	1,128
Interest expense on pension scheme liabilities (note 19)	(848)	(1,147)
	78	(19)
Other interest receivable	304	592
	382	573

Other interest receivable includes deferred interest of £14,000, (2019 is stated net of a deferred interest charge of £56,000)

Notes to the financial statements

at 31 December 2020

5. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	9,123	9,722
Social security costs	1,002	1,035
Pension costs - defined contribution	1,369	1,476
	11,494	12,233

There was no remuneration paid to the Directors of R & A Trust Company (No. 1) Limited during the year (2019: £Nil).

The compensation paid to the group's key management personnel in respect of services provided to the group during the year was £1,873,000 (2019 - £1,827,000) being an apportionment of the total compensation costs.

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

	2020	2019
	No.	No.
Administration	184	221

At the start of the year the employment contracts of 51 staff were transferred to The Royal and Ancient Golf Club of St Andrews. In prior years those staff were employed by the group, with a proportion of their costs being recharged to The Royal and Ancient Golf Club of St Andrews as part of the management charges between the entities.

6. Charitable donation

During 2020 the company donated investments valued at £2,700,000 (2019 - £2,363,000) and cash of £10,844,000 (2019 - £3,500,000) from the group being £13,544,000 (2019 - £5,863,000) in aggregate, to one of the charitable entities associated with the group, The R&A Foundation, in support of its charitable activities.

7. Tax on profit on ordinary activities

a) The charge based on the profit for the year comprises:	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	356	1,564
Overseas taxation	60	259
Adjustments in respect of previous years	(336)	(38)
	80	1,785
Deferred tax:		
Origination and reversal of timing differences	2,168	2,253
Adjustment in respect of previous years	(36)	14
Effect of changes in tax rates	401	(294)
	2,533	1,973
Total tax per income statement	2,613	3,758

Notes to the financial statements

at 31 December 2020

7. Tax on profit on ordinary activities *(continued)*

b) Tax included in statement of comprehensive income	*2020*	*2019*
	£'000	*£'000*
Deferred tax:		
Actuarial gain on pension scheme	(18)	(748)
Cash flow hedges	-	(25)
Total tax (credit)	(18)	(773)

c) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the year is higher (2019 – lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020	*2019*
		£'000
Profit for the year on continuing operations	13,109	21,889
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%).	2,491	4,159
Effect of:		
Disallowed expenses	205	179
Non-taxable income	(129)	(99)
Foreign tax suffered	49	-
Tax rate changes	401	(294)
Fair value movement on investments	(28)	(166)
Movements in unrecognised deferred tax	(4)	-
Income tax suffered	-	3
Adjustments in respect of previous years	(372)	(24)
Total tax charge for the year	2,613	3,758

d) Factors that may affect future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the statement of financial position have been measured at 19% (2019 - 17%) which represents the future corporation tax rate that was enacted at the statement of financial position date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the statement of financial position date and hence have not been reflected in the measurement of deferred tax balances at the period end.

Notes to the financial statements

at 31 December 2020

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £6,535,000 (2019 - profit £11,966,000).

9. Intangible fixed assets

	Software *£'000*	*Total* *£'000*
At beginning of year	1,085	1,085
Additions	266	266
At end of year	1,351	1,351
Amortisation at beginning of year	414	414
Charge for year	295	295
Amortisation at end of year	709	709
Net book value at 31 December 2020	642	642
Net Book value at 31 December 2019	671	671

Notes to the financial statements
at 31 December 2020

10. Tangible fixed assets

Group

	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	10,771	752	7,877	1,467	111	20,978
Additions	108	-	465	54	4	631
Disposals	(13)	-	-	(93)	-	(106)
At end of year	10,866	752	8,342	1,428	115	21,503
Depreciation						
At beginning of year	1,566	281	5,199	834	35	7,915
Charge for year	581	63	825	278	29	1,776
On disposals	(3)	-	-	(93)	-	(96)
At end of year	2,144	344	6,024	1,019	64	9,595
Net book value at 31 December 2020	8,722	408	2,318	409	51	11,908
At 31 December 2019	9,205	471	2,678	633	76	13,063

Group	*£'000*
Freehold buildings	1,307
Leasehold buildings	4,570
Building improvements	3,793
Assets under construction	39
Land	1,157
	10,866

Notes to the financial statements
at 31 December 2020

10. Tangible fixed assets *(continued)*

Company

	Building	*Plant And Equipment*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At beginning of year	5,057	1,040	6,097
Additions	10	-	10
	5,067	1,040	6,107
Depreciation			
At beginning of year	590	311	901
Charge for year	202	104	306
At end of year	792	415	1,207
Net book value			
At 31 December 2020	4,275	625	4,900
At 31 December 2019	4,467	729	5,196

Building comprise:	
Leasehold building	4,557
Building improvements	510
	5,067

Notes to the financial statements
at 31 December 2020

11. Investments

Group

	Cash *£'000*	*Listed* *£'000*	*Unlisted* *£'000*	*Total* *£'000*
At 1 January 2020	9,258	100,145	11,646	121,049
Additions	375	23,335	1,115	24,825
Disposals	(1,498)	(20,990)	(952)	(23,440)
Fair value adjustment	-	11,375	431	11,806
At 31 December 2020	8,135	113,865	12,240	134,240
Net book value at 31 December 2020	8,135	113,865	12,240	134,240
Net book value at 1 January 2020	9,258	100,145	11,646	121,049

The historic cost of investments at 31 December 2020 is £97,181,000 (2019 – £96,171,000).

Company

	Cash *£'000*	*Listed* *£'000*	*Unlisted* *£'000*	*Subsidiary Undertakings* *£'000*	*Total* *£'000*
At 1 January 2019	9,258	100,145	11,646	1,500	122,549
Additions	375	23,335	1,115	-	24,825
Disposals	(1,498)	(20,990)	(952)	-	(23,440)
Fair value adjustment	-	11,375	431	-	11,806
At 31 December 2020	8,135	113,865	12,240	1,500	135,740
Net book value at 31 December 2020	8,135	113,865	12,240	1,500	135,740
Net book value at 1 January 2020	9,258	100,145	11,646	1,500	122,549

The historic cost of investments at 31 December 2020 is £98,681,000 (2019 – £97,671,000).

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.

Within the arrangements for the management of its investment portfolio, the Company has entered into a number of forward currency contracts. These transactions in over-the-counter ('OTC') markets create exposure for both the Company and counterparty, Royal Bank of Canada ('RBC'). To minimise the risk of default in performing their obligations under contract, collateral has been pledged by the Company in the form of investment assets. As at 31 December 2020 £1.884 million was pledged as collateral. In the event of default, which includes any change in custodian without prior written agreement with RBC, the collateral becomes under the ownership of the non-defaulted party.

Notes to the financial statements

at 31 December 2020

11. Investments *(continued)*

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

Name of Company	*Shareholding*	*Country of Registration*	*Registered Office Address*	*Nature of Business*
R&A Group Services Limited	100%	Scotland	Beach House, Golf Place, St Andrews, Fife, KY16 9JA	Financial, administrative and personnel services.
R&A Championships Limited	100%	Scotland	Beach House, Golf Place, St Andrews, Fife, KY16 9JA	Organisation, management and promotion of golf championships.
R&A Rules Limited	100%	Scotland	Beach House, Golf Place, St Andrews, Fife, KY16 9JA	Governance of the rules of the game of golf and the provision of referees for golf championships.
R&A Nominees Limited	100%	Scotland	Kinburn Castle, Doubledykes Road, St. Andrews, Fife, Scotland, KY16 9DR	Holding of securities in connection with loans granted for golf development.
LGU Championships Limited	100%	Scotland	Beach House, Golf Place, St Andrews, Fife, KY16 9JA	Organisation, management and promotion of golf championships.

12. Negative goodwill

	£'000
As at 1 January 2020	602
Released to Group Income Statement	(32)
As at 31 December 2020	570

The negative goodwill originally arose on 1 January 2017 when the group acquired the assets of LGU Championships Limited with a fair value of £1,636,000 for £1. During the year £32,000 (2019 £31,000) of this was released to the Group Income Statement relating to investment disposals, depreciation, stock turnover and other items.

Notes to the financial statements

at 31 December 2020

13. Loans

	Group 2020 £'000	*Group 2019 £'000*	*Company 2020 £'000*	*Company 2019 £'000*
At beginning of year	5,037	5,360	4,773	5,360
Advanced	464	369	700	105
Repaid	(328)	(640)	(328)	(640)
Provision release	-	4	-	4
Deferred interest	14	(56)	14	(56)
At end of year	5,187	5,037	5,159	4,773

A secured loan of £1,000,000 further extended in 2019 (repayable in one tranche in 2027) accruing interest at 1.35% over the Bank of England base rate per annum from 1 January 2025.

A secured loan of £4,000,000 was extended in 2019 (repayable in annual tranches of £250,000 from 2015 to 2024 and then £500,000 from 2025 to 2027) accruing interest at firstly 0.6% over the Bank of England base rate per annum from 1 October 2014 to 31 December 2024 and then 1.35% over the Bank of England base rate per annum from 1 January 2025 to 31 December 2027.

A loan of £300,000 accruing interest at 2% was advanced during 2015, against which £200,000 had been repaid at the beginning of the year. During 2020 a further £200,000 was advanced.

A loan of £1,100,000 was made in 2017 repayable in annual tranches of £73,333 from 2018 to 2032, accruing interest at 1.5% over the Bank of England base rate per annum. A further £30,000 was advanced on this loan in 2019, increasing the annual repayments to £75,641.

A loan of US$700,000 was committed in 2018 and has been advanced in two equal instalments during 2019 and 2020. This loan will be repaid in full, together with accrued interest at 2% per annum by the end of 2021.

A loan of US$100,000 was advanced in 2019 repayable in nine instalments with interest accruing at 1.50% over the Bank of England base rate per annum.

A loan of £500,000 was advanced to R&A Championships Limited in 2020 with interest accruing at 1.50% over the Bank of England base rate per annum and is payable annually. Capital and interest repayments will be made when cash flows from the related business activity within R&A Championships Limited's allow. This loan is reflected in the Company statement of financial position but eliminated in the group statement of financial position.

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 £328,000 (2019 - £642,000).

14. Stocks

Group
Stocks comprise finished goods and goods for resale.

Notes to the financial statements

at 31 December 2020

15. Debtors

	Group 2020 £'000	*Group 2019 £'000*	*Company 2020 £'000*	*Company 2019 £'000*
Trade debtors	16,400	24,342	-	-
Amounts owed by related party (note 23)	219	131	-	-
Payments in advance	3,904	1,964	-	-
Other debtors	6,996	2.244	104	285
Prepayments and accrued income	1,237	1,282	-	-
Corporation tax recoverable	-	-	663	160
	28,756	29,963	767	445

The amount owed by group undertakings represents the balance arising from group financing arrangements which are repayable on demand and non-interest bearing.

16. Creditors: amounts falling due within one year

	Group 2020 £'000	*Group 2019 £'000*	*Company 2020 £'000*	*Company 2019 £'000*
Trade creditors	1,059	3,929	3	3
Amount owed to group undertaking	-	-	34,380	35,383
Amounts owed to related party (note 23)	40	301	-	-
Deferred income	35,309	31,266	-	-
Taxation and social security	1,458	1,314	-	-
Other creditors	109	527	40	38
Forward foreign currency liability	2,216	2,843	-	-
Accruals	2,959	5,404	48	34
Corporation tax	103	1,212	-	-
Deferred tax liability (note 17)	5,980	3,447	6,175	3,700
	49,233	50,243	40,646	39,158

The amount owed to group undertakings represents the balance arising from group financing arrangements which are repayable on demand and non-interest bearing.

Creditors: amounts falling due after more than one year				
Accruals	642	968	-	-
Forward foreign currency liability	1,388	5,540	-	-
	2,030	6,508	-	-

Notes to the financial statements

at 31 December 2020

17. Deferred tax liability

	Group 2020 £'000	*Group 2019 £'000*	*Company 2020 £'000*	*Company 2019 £'000*
Decelerated capital allowances	(26)	(39)	46	36
Short term timing differences	(125)	(180)	-	-
Non trading timing differences	-	2	-	-
Losses	(402)	(191)	(402)	(191)
Unrealised investment gains	6,533	3,855	6,531	3,855
	5,980	3,447	6,175	3,700

The group does not expect any of the deferred tax asset in relation to decelerated capital allowances to reverse in 2021. It is not possible to estimate the expected reversal of the other elements of deferred tax.

18. Deferred grants

	2020 £'000	*2019 £'000*
At beginning of year	154	104
Received during the year	316	108
Released during the year	(101)	(58)
At end of year	369	154

Notes to the financial statements

at 31 December 2020

19. Pension commitments

The group participates in The R&A Group Services Limited Pension Scheme.

The valuation used has been based on the most recent actuarial valuation at 31 December 2018 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 2020. Scheme assets are stated at their market value at 31 December 2020.

The defined benefit section of the pension scheme was closed to future accrual with effect from 31 December 2018. The defined contribution section of the pension scheme was transferred to a master trust arrangement with effect from 1 January 2019.

The assets and liabilities of the schemes at 31 December 2020 are:

Change in benefit obligation	*2020* *£'000*	*2019* *£'000*
Benefit obligation at 1 January	41,051	39,851
Current service cost	-	-
Interest cost	848	1,147
Participant contributions	-	-
Benefits paid	(1,312)	(632)
Remeasurements – change in assumptions	7,284	3,200
Remeasurements – effect of experience adjustments	-	(2,515)
Insurance premium for risk benefits	-	-
Benefit obligation at 31 December	47,871	41,051

Analysis of defined benefit obligations

	2020 *£'000*	*2019* *£'000*
Plans that are wholly or partly funded	47,871	41,051

Notes to the financial statements

at 31 December 2020

19. Pension commitments *(continued)*

Change in scheme assets

	2020 *£'000*	*2019* *£'000*
Fair value of plan assets at 1 January	44,783	39,203
Interest income	926	1,128
Remeasurements – actual return on plan assets	3,678	5,084
Employer contribution	-	-
Participant contributions	-	-
Benefits paid	(1,312)	(632)
Insurance premium for risk benefits	-	-
Administrative expenses paid from plan assets	(60)	-
Fair value of plan assets at 31 December	48,015	44,783

Funded status

	2020 *£'000*	*2019* *£'000*
Defined benefit pension scheme surplus/(deficit)	144	3,732
Restriction on scheme surplus from prior year reversed	(3,732)	-
Restriction on scheme surplus	3,588	(3,732)
Effect of deferred tax	-	-
Amount recognised in Statement of Financial Position	-	-

Recognised in Income Statement and Statement of Comprehensive Income

	2020 *£'000*	*2019* *£'000*
Administrative expenses paid from plan assets	60	-
Interest cost	848	1,147
Interest income	(926)	(1,128)
Total pension (surplus) / cost recognised in the Income Statement	(18)	19
Remeasurement gains recognised	(18)	667
Deferred taxation	-	(114)
Remeasurement (losses) / gains recognised in Statement of Comprehensive Income	(18)	553

Notes to the financial statements
at 31 December 2020

19. Pension commitments *(continued)*

The fair value asset allocation at the year-end was as follows:	*2020 £'000*	*2019 £'000*
Equities	18,325	16,963
Debt instruments	18,043	16,557
Real estate	3,165	2,029
Other	8,482	9,234
	48,015	44,783

	2020 £'000	*2019 £'000*
Actual return on scheme assets	4,604	6,212

	2020	*2019*
The weighted average assumptions used to determine benefit obligations:		
Discount rate	1.50%	2.10%
Rate of salary increase	3.90%	3.80%
Inflation rate	2.90%	2.80%
Rate of pension increase	2.80%	2.70%
The weighted average assumptions used to determine cost relating to defined benefit plans:		
Discount rate	2.10%	2.90%
Rate of salary increase	3.80%	4.20%
Price inflation	2.80%	3.20%
Rate of pension increase	2.70%	3.00%
Weighted average life expectancy for mortality tables used to determine benefit obligations at:		
Male		
Member age 65 (current life expectancy)	23.1	23.0
Member age 40 (life expectancy at age 65)	24.9	24.8
Female		
Member age 65 (current life expectancy)	25.1	25.0
Member age 40 (life expectancy at age 65)	27.0	26.9

Contributions

The defined benefit section of the pension scheme closed to future accrual with effect from 31 December 2018 and consequently the group has not made further contributions to its pension plan beyond 2018.

Notes to the financial statements

at 31 December 2020

20. Share capital

Group and Company	*2020* *£'000*	*2019* *£'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

21. Future financial commitments

a) Grant commitments

	2020 *£'000*	*2019* *£'000*
Grant commitments	754	1,140

The company entered into a commitment in December 2019 to provide incremental financial support to assist the development of women's professional golf around the world. The commitment of US$1,500,000 was reflected through the income statement in 2019 and covers a three-year period from 2020 to 2022. $500,000 was paid in 2020.

b) Capital and loan commitments

	2020 *£'000*	*2019* *£'000*
As at 31 December the future commitments were:		
Capital investments	8,875	9,890
Capital expenditure	-	-
Loan commitments	-	264
	8,875	10,154
These commitments fall due for payment:		
Within one year	8,875	10,154
In two to five years	-	-
	8,875	10,154

Notes to the financial statements

at 31 December 2020

22. Lease commitments

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

	2020 *£'000*	*2019* *£'000*
Land and buildings:		
Leases expiring within one year	-	72
Leases expiring in two to five years	848	944
Leases expiring in over five years	5,933	5,968
Equipment:		
Leases expiring within one year	2	-
Leases expiring in two to five years	-	4
Motor vehicles:		
Leases expiring within one year	51	34
Leases expiring in two to five years	58	102
	6,892	7,124

Of the leases expiring in over five years £5,933,000 (2019 - £5,968,000) are specific to the holding company.

23. Related party

a) Entities over which the group or company has significant influence:

	Group 2020 £'000	*Group 2019 £'000*	*Company 2020 £'000*	*Company 2019 £'000*
The Royal and Ancient Golf Club of St Andrews				
Income	459	999	-	-
Expenditure	1,655	1,209	-	-
Debtors	219	131	-	-
Creditors	40	301	-	-

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.

Notes to the financial statements
at 31 December 2020

23. Related party *(continued)*

b) Entities controlled by key management personnel:

	2020 £'000	2019 £'000
Third party suppliers		
Expenditure	201	1,434
Debtors	8	-
Creditors	-	29

All directors and certain senior employees of the group who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration in respect of the individuals who are related to the third-party suppliers noted above is £nil (2019: £nil).

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.

25. Financial Instruments

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Financial assets at fair value through income statement				
Investments	134,240	121,049	134,240	121,049
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	5,187	5,037	5,159	4,773
Other debtors	6,996	2,244	104	285
Fair value of hedge firm commitments	3,634	8,498	-	-
Financial liabilities at fair value through Income statement				
Forward foreign currency contracts	3,604	8,383	-	-
Financial liabilities measured at amortised cost				
Other creditors	109	527	40	38

Notes to the financial statements

at 31 December 2020

25. Financial Instruments *(continued)*

The group uses forward foreign currency contracts to hedge risk associated with foreign exchange rate fluctuations on forecasted transactions. The hedges taken out during 2016 were classified as cash flow hedges and the effective portion of the gain or loss on the derivative hedging instrument is recognised in the statement of comprehensive income, being a gain of £nil (2019 - £132,000), together with the related deferred tax adjustment of £mil (2019 - £25,000). Since 1 January 2017 all hedges have been classified as fair value hedges and any ineffectiveness in those hedges during the year, being a loss of £84,000 (2019 - £106,000), is recognised through the income statement.

26. Events after the reporting period

The business and assets of LGU Championships Limited, were transferred to its fellow subsidiary R&A Championships Limited on 1 January 2021. This allowed the championship operations of the AIG Women's Open and the women's amateur championships to be transferred into R&A Championships Limited, alongside The Open and the men's amateur championships. This provided a more efficient and effective operating structure for the staging of the various golf championships. The business and its assets and liabilities were transferred intragroup at book value, leaving a net receivable from other group companies. All commercial contracts were novated from LGU Championships Limited to R&A Championships Limited on the transfer date.

27. Contingent Asset

The Group lodged an insurance claim for loss of profits arising from the impact of the coronavirus pandemic during the year. The balance of the claim for £1,098,000 is currently being assessed by the underwriter and has not yet been confirmed. On the basis the value and timing on the balance of this insurance settlement is not yet certain, this has been disclosed as a contingent asset. No income on this element has been recorded in the accounts for the year ended 31 December 2020.