

Company registration no: 07459469

**LTA Finance and Governance Report for the
year ended 31st December 2018**

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Finance and Governance Report 2018

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Introduction

Welcome to the LTA's Finance and Governance Report for 2018, my first as Chairman. It was a great honour to be appointed to this role last year, and I am excited to be a part of the work being done to take our sport forward

Last year was one of transition for the LTA. In addition to my appointment as Chair, Scott Lloyd commenced his role as Chief Executive Officer. Scott has since led the team in the development of our new vision, Tennis Opened Up, and a new mission to grow tennis by making it relevant, accessible, welcoming and enjoyable.

As we work to turn this new vision into a reality, the past 12 months have been about laying the foundations and reorganising the LTA to deliver our new long-term strategy for tennis in Britain, which we published earlier this year.

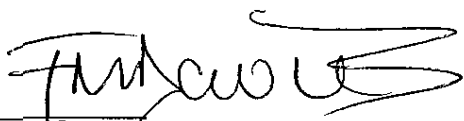
In laying these foundations, we have made some significant progress. Last year saw us launch our new 10-year Performance Strategy which aims to make Great Britain one of the most respected nations in the world for player development, supported through two National Academies – to be commenced in September this year – and a network of regional and local player development centres.

We have delivered targeted investment in parks, all weather and indoor courts while grassroots programmes like Tennis for Kids saw thousands more children pick up a racket and get involved in tennis. We continue to drive the visibility of our sport to new audiences through our ongoing commitment to staging truly world-class major events such as Davis Cup in Glasgow and successfully bidding in 2018 to host a Fed Cup home tie in Bath in 2019.

Our commitment to safeguarding has seen us continue to implement a sports industry-leading safeguarding strategy and ensure all our registered venues implement higher safeguarding standards as part of their annual registration.

The investment we made in these areas, and others, is set out in the following pages. It has provided a solid platform for us to build on, but it is only the beginning and there remains a lot to be done. I look forward to playing my own part in us achieving that, and helping to ensure that tennis in Britain is truly opened up to anyone.

Finally, on behalf of the LTA I'd like to recognise the work of two individuals who stepped down from our Board last year. My predecessor as Chairman, David Gregson, and Independent Non-Executive Director, Richard Baker both made a tremendous contribution to the organisation over a number of years – they depart with our sincere thanks and best wishes.



Lord Davies of Abersoch
Chairman
8 May 2019

This report can be read in conjunction with the LTA Annual Review 2018 which can be viewed online at www.lta.org.uk

Strategic Report

Financial Review

Overview

The Finance and Governance Report and financial statements of Lawn Tennis Association Limited (the "LTA") are for the LTA and its subsidiaries (the "LTA Group") for the year ended 31 December 2018 and details the financial investments made by the LTA Group in supporting the growth of tennis in Britain during the year.

Investment into the game is critical in supporting the LTA's strategic priorities to deliver its new mission. Each year the LTA works to maximise the amount it invests into tennis in Britain with the aim of using this investment effectively to deliver its mission. Key considerations in determining the annual expenditure are whether an activity can be made financially sustainable over the long term and whether or not that expenditure helps achieve the LTA's strategic priorities.

The LTA worked closely with the The Tennis Foundation ("TF"), an independent charity (charity number – 298175) during 2018, to deliver jointly managed participation activity across education, disability development and community and as such the joint costs of providing these are included in this financial review. In 2018, the LTA donated £4.4m (2017: £7.4m) to the TF. During 2018, the TF was not part of the LTA Group and as such is not included in the LTA Group financial statements. The TF publishes its own financial statements that provide additional information on its remit and expenditure.

In creating a broader mission for tennis, the remit of the LTA now captures the scope and role of the TF. Therefore on 1 January 2019, the operations of the TF were integrated with those of the LTA as part of a wider restructure of operations to better align the organisation to deliver the LTA's new strategy. The restructure and integration incurred exceptional costs identified in this report.

The integration of the TF's operations is mutually beneficial as it allows the LTA to gain access to key skills and knowledge that the TF has while also providing a platform to scale-up the TF activities within the LTA structure – benefiting from deeper insight, a wider contact base and broader reach. On 18 March 2019, a vote was passed at an Extraordinary General Meeting of the TF for LTA Operations Limited to become its sole member.

In 2012, The LTA Trust was established as a registered charity (charity number 1148421) and a wholly owned subsidiary of the LTA. During the year, the control and governance arrangements in respect of The LTA Trust were reviewed in light of potential changes in the control and governance over the TF. As a result, the decision was taken that The LTA Trust should be consolidated in the LTA Group. As the indicators of control were the same in the prior year, 2017 has been restated on the same basis. The LTA Trust's objectives, as approved by the Charity Commission, are to advance for the public benefit such charitable purposes associated with the game of tennis in any part of Great Britain, the Channel Islands and the Isle of Man that are consistent with the purposes of the LTA. During the year no donation was made from the LTA (2017: £nil).

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

Financial results

For the year ended 31 December 2018, the LTA Group's revenue was £64.5m (2017: £60.6m) and operating expenditure was £70.8m (2017: £68.2m), generating an operating loss of £6.3m (2017: £7.5m loss).

The LTA Group generated investment income of £1.4m (2017: £1.8m) and a net loss on its investment portfolio of £3.6m (2017: £2.6m gain). Investments were revalued to fair value at 31 December 2018 in accordance with FRS102.

A tax charge of £0.3m (2017: £0.4m) was incurred delivering a loss for the year of £8.8m (2017: £3.6m loss).

REVENUE

The LTA Group revenue increased during the year to £64.5m (2017: £60.6m).

An analysis of the LTA Group's revenue is shown below:

	2018	2017	Change	Change
	£'000s	£'000s	£'000s	%
Revenue from the Wimbledon Championships	40,821	33,604	7,217	21%
Commercial	5,488	9,551	(4,063)	(43%)
Major Events	14,295	13,363	932	7%
Sport England Revenue Grant	2,535	2,833	(298)	(11%)
Other Revenue	1,340	1,287	53	4%
Total LTA revenue	64,479	60,638	3,841	6%

Revenue from the Wimbledon Championships

The £40.8m (2017: £33.6m) revenue from the Wimbledon Championships includes £37.8m (2017: 30.6m) annual surplus, representing 90% (2017: 90%) of the distributable surplus; £1.0m (2017: £1.0m) in support of the summer grass court season; £1.3m (2017: £1.3m) for the management and supply of umpires and other officials in partnership with the Association of British Tennis Officials; and £0.7m (2017: £0.7m) to gross up for withholding tax incurred at the Wimbledon Championship. The fall in the distributable surplus witnessed from 2016 to 2017 as a result of major structural works at The All England Lawn Tennis & Croquet Club ("AELTC" or the "Club") was reversed in 2018 and is expected to see further growth in 2019. In addition there was no donation made from the surplus generated by the Wimbledon Championships to the TF following the agreement to integrate the TF's activities into the LTA. This amount was allocated directly to the LTA Group in 2018 instead.

Although there remain risks and uncertainties on the absolute level of the Wimbledon Championships' surplus in any given year, the long-term contract between the AELTC and the LTA in respect of the Wimbledon Championships has secured this income source until 2053.

Commercial revenues

The LTA's commercial activities produced £5.5m (2017: £9.6m) of revenue. The contracts with many lead sponsors such as Aegon, Nike and Wipro expired at the end of 2017 and though new agreements were put in place with Fever Tree, Nature Valley, Weston Cider, Adidas and Nyetimber amongst others, and a renewal with Highland Spring, there was a reduction in the

overall level of commercial revenues during the year. The LTA is currently in negotiation in relation to further opportunities for both 2019 and beyond.

Major Events revenues

The revenue from the major events grew to £14.3m (2017: £13.4m). Notwithstanding the continuing difficult economic climate, the LTA's ATP and WTA summer grass court events at the Fever-Tree Championships (at The Queen's Club), the Nature Valley Classic (at Edgbaston Priory Club), Nature Valley International (at Eastbourne's Devonshire Park) and Nature Valley Open (at Nottingham Tennis Centre) successfully increased their revenues.

Sport England revenue

Sport England revenue grants of £2.5m (2017: £2.8m) reflected the first full year of the new four year agreement that began in April 2017. Though there was a modest reduction in grant funding from Sport England, this represented almost the entire total amount which was bid for.

Under the new Sport Governance Code the LTA is required to show the income from public investors and to clearly account for the expenditure of these funds. The analysis and use of Sport England funds received is shown below. Please note that some income streams relate to the previous funding cycle that ended in March 2017.

	2018 £'000s	2017 £'000s
Talent	774	896
Disability	676	669
Club & Commercial	-	117
Community	-	318
Education	-	67
Satellite Clubs	-	27
SERVES programme	602	335
Women & Girls	483	404
Total spend	2,535	2,833

The LTA continues to work in partnership with Sport England in relation to developing its participation strategy and introducing the benefits of tennis throughout the community.

Other Revenue

Other revenue of £1.3m (2017: £1.3m) arises from a range of activities that the LTA oversees, including British Tennis Membership, coaching courses, other grants, National Tennis Centre income and programme funding.

OPERATING EXPENDITURE

The operating expenditure of the LTA Group for the 12 months ended 31 December 2018 was £70.8m (2017: £68.2m). This increase was primarily as a result of exceptional costs linked to an internal reorganisation to support the new strategy, planned increased investments in Performance as well as the additional costs of running Major Events during the year.

A summary of the operating expenditure is shown in the table below:

	2018	2017	Change	Change
	£'000s	£'000s	£'000s	%
Direct operating expenditure				
Participation	18,317	19,398	(1,081)	(6%)
Performance	10,065	9,349	716	8%
Commercial, Major Events and Marketing	31,199	30,679	520	2%
Business Support	4,783	4,138	645	16%
Exceptional Items	1,862	-	1,862	n/a
Depreciation, amortisation and prepaid court time charge	3,768	3,350	418	12%
Capital Grants	820	1,266	(446)	(35%)
Total operating expenditure	70,814	68,180	2,634	4%

The expenditure is presented in line with the LTA's defined operational functions: Participation, Performance, Commercial, Major Events and Marketing and Business Support. However, these activities are interlinked and support each other in delivering the LTA's mission.

Investment in Participation: Getting more people playing tennis more often

Participation expenditure of £18.3m (2017: £19.4m) was on a wide range of initiatives across the LTA's strategic focus areas of clubs, communities, children and young people in partnership with the TF. Direct investment by the LTA was £13.9m (2017: £12.0m) supplemented by a donation to the TF of £4.4m (2017: £7.4m) in support of jointly managed activities and the TF's direct support of education and disability activities. Including TF direct expenditure, total expenditure on participation across the LTA and TF was £21.7m (2017 £23.0m) which is analysed below.

£11.3m (2017: £12.6m) was invested in support of participation in community and club environments across an array of activities including safeguarding. The LTA continued to build on the successful Tennis for Kids programme launched in 2016 that provided lessons and equipment to over 26,000 (2017: 22,500) 5-8 year olds for a small fee of £25; increased the number of Local Authority framework agreements designed to open up park tennis courts to communities; and continued to support our registered clubs which are the backbone of British tennis.

£2.7m (2017: £2.1m) was invested in recreational and national competitions to establish a structure that provides both formal and informal competition for adults and juniors.

Recreational competitions such as The Quorn Family Tennis Cup and Team Tennis operated during 2018 alongside our partnership with Local Tennis Leagues, which continued to be a success with the number of leagues increasing from 175 in 2017 to 193 in 2018. £1.4m (2017: £1.6m) was invested across the full spectrum of coaching qualifications from level 1 to master club level, coach workshops and the Coach Accreditation Scheme.

£6.3m (2017: £6.7m) was invested in tennis for disabled people, tennis in education and tennis in communities. This included £1.4m (2017: £1.6m) invested in education with the Schools Tennis programme continuing to grow. 1,921 teachers (2017: 1,940) have attended a Schools Tennis Teacher Training course. A further £4.9m (2017: £5.1m) was invested in disability development, disability events and disability performance as well as the SERVES community programme. The TF supported 503 (2017: 380) venues across Great Britain with funding, equipment and training to

enable more disabled people to play tennis. In addition to hosting seven wheelchair ITF events, following consultation with players, parents and carers to understand players' needs, bespoke competition offers were created for each impairment group that the TF works with. 2018 was another successful year for disability performance with 23 titles won on the ITF Wheelchair Tennis Tour.

Investment in Performance

One of the LTA's strategic priorities is the continued establishment of a world class High Performance Programme, with investment focused on allocating resources to those players, coaches and venues with the ability to achieve the performance targets set.

At the outset of 2018 the LTA launched its new Performance Strategy. This is a ten year vision for the LTA that aims to make Great Britain one of the most respected nations in the world for player development. The new long-term strategy will address the relative lack of high potential juniors and aspiring young professional players in or around the ATP / WTA top 100 by creating a seamless Player Pathway that nurtures people, teams and leaders.

Since the launch of the new performance pathway the LTA increased its investment in performance to £10.1m (2017: £9.3m) as part of the roll out of the strategy throughout tennis centres across Great Britain.

Commercial, Major Events and Marketing

Commercial, Major Events and Marketing expenditure was £31.2m (2018: £30.7m).

Across the Major Event grass court calendar the LTA invested £18.8m (2017: £18.9m) to put on eight tournaments around the country.

In addition to the summer grass court season, £8.2m (2017: £6.3m) was invested in two Davis Cup ties (2017: two), two Fed cup ties (2017: two), the Nitto ATP World Tour Finals, officiating at the Wimbledon Championships and other major events and the cost of servicing sponsors.

Investment in marketing was £4.2m (2017: £5.5m) as the LTA works to continue to attract new participants to tennis through online activity.

Business support and depreciation

Expenditure on business support and depreciation increased to £8.6m (2017: £7.5m). Business support expenditure of £4.8m (2017: £4.1m) represents an increase to the net core business support costs required for the operation and governance of the LTA by project investment costs relating to upgrades of the technology infrastructure and legal fees. This covers the business support functions of HR, IT, Finance and Legal together with the costs of running the National Tennis Centre at Roehampton and the national governing body secretariat.

Exceptional Items

Exceptional expenditure of £1.9m (2017: £nil) included costs relating to staff restructuring costs and associated professional fees linked to the reorganization.

Capital grants

Financial support to improve facilities is one key way the LTA helps venues thrive and attract new players. In 2018 we invested £0.8m of capital grants (2017: £1.3m) and £1.7m of loans (2017: £2.7m) in facilities. Partnership funding from applicants in support of these projects amounted to £5.3m (2017: £8.2m). Funding in this area has slowed down while changes made to the LTA facility investment strategy become fully established.

Financial position

The LTA Group Statement of Financial Position remains strong with total equity of £161.4m (2017: £170.3m). This includes the assets of The LTA Trust and excludes the independently managed assets of the TF. The decrease in retained earnings is due to the loss for the year of £8.8m (2017: £3.6m loss). LTA Group reserves are in line with the reserves policy and leave the LTA Group able to carry out its strategic priorities going forward.

Intangible fixed assets of £2.6m (2017: £3.1m) primarily consist of The Queen's Club Championships ATP 500 sanction and capitalised software costs. LTA acquired this sanction in 2014 at a cost of £2.1m following the upgrade of The Queen's Club Championships. This cost is being amortised over the life of the agreement to 2022 resulting in a net book value at 31 December 2018 of £1.0m (2017: £1.3m).

Facility improvements at LTA tournament sites (including The Queen's Club Championships site) that increase the future economic benefit of the tournaments have been reclassified from intangible to tangible fixed assets during the year, while software costs have been reclassified from tangible to intangible assets. These reclassifications provide a more accurate representation of the underlying assets.

Tangible fixed assets primarily comprise the investment in the National Tennis Centre. The decrease in net book value to £32.0m (2017: £33.3m) represents the depreciation charge for the year of £1.5m partially offset by additions and disposals during the year.

£66.2m (2017: £77.7m) is held in the LTA's investment portfolio in shares, bonds and other assets by external investment managers and reflects the Board's decision to hold free reserves to cover long term working capital requirements and a possible (but not anticipated) interruption in the LTA Group's annual income. As at 31 December 2018, external investments were revalued to fair value in accordance with FRS 102.

The overall trade and other receivables falling due within one year have decreased slightly to £41.4m (2017: £41.9m). The fall is mainly attributable to a decrease of £0.4m in prepayments and accrued income to £2.9m (2017: £3.3m). The largest debtor balance is amounts owing from AELTC of £32.8m (2017: £33.6m).

Trade and other receivables falling due after more than one year have decreased to £20.4m (2017: £21.1m) mainly due to a decrease in prepayments and accrued income of £1.0m to £6.5m (£7.5m). Concessionary loans are interest free loans to clubs, indoor facilities, parks and schools to improve tennis facilities that are repayable over 10 years. Tennis developments represent West Hants LTC development funding of £3.2m (2017: £3.4m) repayable in equal instalments over the next 22 years. The net movement of concessionary loans falling due after one year was a decrease of £0.4m to £8.9m (2017: £9.3m).

Trade and other payables – amounts falling due within the year has increased to £14.3m (2017: £12.1m). The main liabilities included in this balance are accruals and deferred income of £11.4m (2017: £11.0m) which include capital grant commitments to club venues of £2.3m (2017: £2.3m) and deferred income of £1.8m (2017: £1.1m) relating to future ticket sales and British Tennis Membership.

Cash flows

During 2018 there was a net cash outflow from operating activities of £4.9m (2017: outflow £6.5m) and a net cash inflow of £12.8m (2017: inflow £4.0m) from investing activities. This resulted in a net cash increase of £7.9m (2017: decrease £2.5m) for the year.



Simon Steele
Finance Director
8 May 2019

Strategic Report

Principal Risks & Uncertainties, Key Performance Indicators and Future Developments

Principal Risks & Uncertainties

The LTA's risk management process is designed to improve the likelihood of delivering business objectives, protect the interests of its key stakeholders, enhance the quality of decision making, and assist in the safeguarding of LTA assets, including people, finances, property and reputation.

The Board has oversight for risk management with a focus on the most significant risks facing the LTA, including strategic, operational, financial, reputational and legal and compliance risks. The Board determines the risk appetite of the organisation, reviews existing risks and identifies new risks on a half yearly basis. Suitable controls are implemented and action plans established to mitigate risks.

The Audit Committee oversees the identification and mitigation of risks for the LTA Group and discusses with management the LTA's risk assessment and risk management practices. When reviewing and approving the annual internal audit plan for the LTA, the committee prioritises areas to be audited based on residual potential risk, size of delay between current and residual risk and areas of significant revenue or expenditure. The Audit Committee also oversees the policies, processes and risks relating to the financial statements, the financial reporting process, compliance and auditing.

As in any sport or organisation which engages with children, young people and vulnerable adults, there is a risk of safeguarding issues arising. This is a risk the LTA takes extremely seriously, with the protection and wellbeing of those that are involved in our sport being our very highest priority. With our new Safeguarding Strategy and expanded team in place to deliver it, alongside the existing controls provided by our independent Safeguarding Committee and regular updates to the Board and Executive, we believe we are taking all necessary steps to mitigate this risk.

A key business risk relates to the certainty of future revenue streams, notably from the Wimbledon Championships, Sport England and commercial partners. The risk of non-receipt of revenue from the Wimbledon Championships is mitigated by a long term contract in place until 2053. Given the large contribution that the Wimbledon Championships makes to the LTA's total results, the LTA Group is still exposed to a potential loss of revenue in any single year due to cancellation or severe curtailment of the Wimbledon Championships. Steps to mitigate or protect against this risk have been put in place for future years particularly with respect to the roofs over Centre Court and No.1 Court providing protection against weather losses and insurance covering major curtailment or abandonment risks where possible. There are isolated risks which are not insurable or capable of mitigation in relation to the Wimbledon Championships and also within the LTA organised major events that could have a material impact on revenue streams associated with these events but these are considered remote. The LTA maintains adequate cash balances and reserves to mitigate any short-term financial impact from these risks.

The LTA faces an element of credit risk in its on-going business relationship with major commercial partners. Risks are managed as part of on-going due diligence and credit management but cannot be completely mitigated.

The LTA Group holds investments in shares, hedge funds, fixed income products and corporate bonds as part of its overall investment strategy. The LTA Group has appointed independent specialist investment managers who manage the portfolio on the LTA's behalf in accordance with the agreed medium/low risk profile. However, it is recognised that any investment portfolio is subject to market fluctuations and external factors. The Investment Policy Statement was reviewed and approved by the Board in 2017 which resulted in a lower overall risk profile for the investment portfolio. The Investment Advisory Group, which consists of the Financial Director, one Board

member and an independent investment advisor, oversees the implementation of the investment policy and reports to the Audit Committee on this area. The LTA does not use financial instruments for speculative purposes.

In addition to the measures described above, the LTA has an element of natural risk mitigation in that a large element of its expenditure in the sport is discretionary in each financial year and can be reduced in subsequent years without breaching legal commitments.

The risk of non-delivery of our strategy and mission is mitigated through our commitment to working alongside all the people and organisations that share our mission including volunteers, coaches, players, local authorities, clubs, and other Grand Slam nations. We have a long term strategic plan and resources are allocated appropriately to deliver our mission.

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

Key Performance Indicators

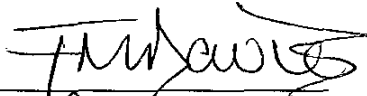
Each year the LTA sets business objectives to measure its performance in key areas. Participation remains a challenge for many traditional sports, and that was reflected in a 9% fall in overall monthly participation levels (target +0.1%). However, targets for the focussed work the LTA is doing to drive participation were surpassed with a 7% growth in unique declared members in LTA focus clubs (target +5%) and a 56% increase in total court hours booked in LTA focus parks (target +15%). In 2018 the LTA surpassed its target of 80% of its registered venues meeting raised safeguarding standards with 99% of venues achieving this level. Under the LTA's new performance strategy, there was early progress made across the performance pathway following the launch of the LTA's new Performance Strategy with 79% of Pro-Scholarship Programme players on track (target 70%) at the end of 2018.

Future Developments

As the LTA moves into 2019, it is entering a new era for tennis in Britain. With the launch of the LTA's new long-term strategy this Spring, it is refocussing its efforts around a central vision, Tennis Opened Up. This will see the LTA working to grow the sport through making it relevant, accessible, welcoming and enjoyable to anyone who has an interest, from players of all abilities and backgrounds, to its many millions of fans.

There will also be new opportunities for the LTA to capitalise on, such as the integration of the TF's activities into the LTA. The charity's work around tennis for disabled people and for young people in education or urban and disadvantaged communities aligns very closely with the LTA's new vision. The integration of activities provides a real opportunity for the LTA to take them to the next level, delivering them with greater scale and greater impact.

The Strategic Report on pages 4 to 12 was approved and authorised for issue by the Board on 8 May 2019 and is signed on its behalf by:



Lord Davies of Abersoch
Chairman
8 May 2019

Directors' Report

Introduction

The Directors present their report, the Strategic Report and the audited Group financial statements for the LTA and the LTA Group for the year ended 31 December 2018.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have a reasonable expectation that the LTA and the LTA Group have adequate resources to continue in operational existence for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies in Note 1 b) to the financial statements.

Equality

The LTA Group is committed to making tennis accessible and open to everybody. The LTA Group's policy is to treat everyone fairly and work with individuals to enable them to participate in tennis.

All applications for employment are considered based only on merit. The LTA actively promotes equal opportunities in employment and aims to ensure everyone has an opportunity at the LTA, regardless of age, gender, race, nationality, ethnic origin, colour, sexual orientation, gender reassignment, marital status, religion or belief, ability or disability.

Creating an inclusive tennis environment wherever people play tennis is of paramount importance to the LTA and we work in partnership with a wide range of organisations to achieve this. Inclusivity sits at the heart of the LTA's mission, helping to maintain a positive image for sport and enabling the organisation to reach a wide and diverse audience of potential new players.

Safeguarding

The safeguarding and protection of all those playing our sport remains a key priority for the LTA. Over 2,600 (99%) of previously registered venues have now implemented raised standards, including a trained welfare officer, which is a significant achievement for the sport. Recently recruited Regional Safeguarding Officers lead on a new audit process which aims to audit 30% of venues a year to ensure best practice is embedded. Safeguarding training is mandatory for accredited coaches, Welfare Officers and LTA colleagues, and all LTA colleagues were trained to a level 1 safeguarding standard in 2018. This work has meant that we have maintained our NSPCC assessment rating of green – the highest possible level. We continue to progress our detailed safeguarding action plan which aims to ensure the LTA is leading the way in safeguarding in sport.

Code for Sports Governance

The LTA was proud to be the joint first sport to fully adopt the provisions of the new Code for Sports Governance, following a vote by Council at the LTA Annual General Meeting in May 2017. This enshrined significant governance changes, notably the introduction of nine year term limits for Councillors, together with changes to the structure of the Board, such as increasing the number of independent non-executive directors and opening up the positions of chair of the Tennis Development Committee and the Tennis Performance Committee to external applicants. A new Diversity Action Plan was also approved by the Board and Council.

Disability

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment within the Group continues and appropriate workplace adjustments are arranged. It is the policy of the Group that the training, career

development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The LTA Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting the performance of the LTA Group. This is achieved through formal and informal meetings, employee consultation fora, monthly newsletters, weekly bulletins and staff surveys. Monthly 'All Colleague' meetings are held which afford everyone the opportunity to share information, hear about the organisations plans and progress and to ask questions.

Corporate governance

The Board

The composition, role and powers of the Board are covered by the Articles of Association, the Rules of the LTA and the Standing Orders. The Board provides leadership to the LTA and is ultimately responsible for its performance. Its broad areas of responsibility include:

- establishing the vision, mission and values
- determining the strategy, objectives and supporting major policies
- ensuring the financial viability including monitoring risks and conflicts
- monitoring operational and financial performance
- selecting and supporting the CEO
- ensuring accountability and effective governance
- to role model the values of Passion, Integrity, Teamwork and Excellence

The Board is led by an independent Chairman who is appointed to the Board, following the recommendation of the Nominations Committee and the approval of Council. The President and Deputy President, two Council elected board members, the chair of our Tennis Development Committee and four independent board members together are the 10 non-executive members of the Board. The Board also has two executive members, the Chief Executive Officer and the Finance Director.

The Board considers its composition appropriate in view of the size and requirements of the LTA's business. The Board Nominations Committee reviews the composition of the Board and makes recommendations to the Board and Council on its makeup. The Board Nominations Committee is responsible for leading the search procedure to recommend new Board appointments.

The terms of appointment to the Board are as follows: the Chairman and the four independent Board members are appointed for an initial term of three years, and with the approval of the Board (Chair to be approved by Council also), may continue to serve for up to two further terms of three years. The President and Deputy President are elected each year, within a convention that no President serves for longer than three years. Council elected Board members are elected to the Board for a term of three years, and may, if re-elected, serve for up to two further terms of three years. The chair of the Tennis Development Committee (who, whilst the incumbent is a Councillor, may be recruited from outside Council) is appointed for an initial term of three years and may serve for up to five years with the annual approval of Council.

There is a clear division of responsibility between the Chairman, President and the Chief Executive Officer. The two executive Board members each have a role description and limits of authority. The Board meets a number of times per year in accordance with the Standing Orders, and in 2018 it met five times.

The Board members at the date of signing this report were:

Lord Davies of Abersoch

Lord Davies joined the LTA Board as Chairman on 27 September 2018 and is a member of the Remuneration and Board Nominations committees. He is a Partner and the Chairman of Corsair Capital, a private equity firm specialising in financial services. Lord Davies is also the Chairman of LetterOne, an Adviser to Teneo, and the Chairman of UK India Business Council. He became a Peer in 2010 and was awarded a CBE for his services to the financial sector and the community in Hong Kong in June. Lord Davies is a keen tennis player, particularly doubles, and also enjoys watching tennis.

Martin Corrie

Martin joined the LTA Council representing Hertfordshire in 2003 and joined the LTA Board as a Council-elected Non-Executive Director in 2010. He is the President of the LTA but has chosen to temporarily step aside from the duties of his role while an independent investigation into a complaint is on-going. Martin is Chair of the Council Nominations Committee and also serves on the Board Nominations and Remuneration committees. In 2015 he was elected to the Board of the ITF where he serves as Chairman of the Remuneration Committee, Wheelchair Tennis Committee and the Technical Commission; he is also a member of the ITF Finance Committee. Martin remains an active tennis player representing Hertfordshire in the appropriate veterans' age groups.

Rachel Baillache

Rachel joined the LTA Board on 26 September 2018 as an Independent Non-Executive Director. She is Chair of the Remuneration Committee and also serves on the Audit Committee. Rachel is a partner at KPMG where she served as a member of the firm's global management team for eight years as the global Head of People, Performance and Culture. She was also the executive responsible for global internal and external communications. Rachel is the Chair of Minds@Work and a member of the Advisory Board for the Conference Board's Diversity and Inclusion Centre. Rachel is an avid tennis supporter.

Sara Bennison

Sara joined the LTA Board on 6 June 2018 as an Independent Non-Executive Director and is a member of the Remuneration Committee. She is currently the Chief Marketing Officer for Nationwide Building Society and plays an active role in the wider marketing industry as Vice President of the Incorporated Society of British Advertisers, a member of the Industry Advisory Panel for the Advertising Standards Authority and a Fellow of the Marketing Society. She is a keen tennis fan.

Craig Haworth

Craig was appointed to the Board as a Council-elected Non-Executive Director in January 2017. Craig is also a member of the East Regional Forum Committee and the LTA Councillor for Northants LTA as well as being the County's Lead Volunteer, a member of the County LTA Committee and a member of the Tennis Europe Professional Tennis Committee. Craig is Managing Director of Passing Shots Community Interest Company that runs Corby Tennis Centre and has been at the centre since 1991. He previously represented Great Britain as a player and National Coach for 15 years and represented Buckinghamshire and, more recently, Northamptonshire at County level and has coached a number of Junior National Champions.

Clare Hollingsworth

Clare joined the LTA Board as an Independent Non-Executive Director in January 2015 and is currently the Senior Independent Director, Chair of Audit Committee and member of the Board Nominations Committee. She has worked in a variety of industries, including travel, healthcare and real estate, and has held a number of non-executive directorships. She is Chairman of Eurostar International Ltd, Non-Executive Director at Molnlycke Healthcare AB and is a regular volunteer at The Listening Place charity. Clare is a keen tennis supporter.

Scott Lloyd

Scott was appointed CEO of the Lawn Tennis Association on 8 January 2018. Prior to joining the LTA, Scott has had a successful business career in the sports and leisure industry. As Group Chief Executive of David Lloyd Leisure, Scott headed up the integration and subsequent growth of the business through to a successful sale to TDR Capital in September 2013. Scott stayed with the company as CEO before stepping up to the role of Deputy Chairman and continues to hold a Non-Executive Director role.

Nicola Maskens

Nicola joined the LTA Board as a Council-elected Non-Executive Director in September 2014. She served as a Council elected member in 2015 and 2016 and as Chairman of the Tennis Development Committee from 2017. Nicola is a member of the Council Nominations, Licensing & Registration and Safeguarding & Protection committees. Nicola joined the LTA Council in 2008 representing Oxfordshire. She is currently the Chairman of the County Association having in the past been Chairman of the Junior County Closed and undertaking various roles on the Management Committee. Nicola is also a member of the Tennis Europe Tennis Development Committee. Nicola has been involved in tennis throughout her life, as a junior, tennis parent, club member, club membership secretary, team captain and an active player in the local summer and winter leagues.

Sandi Procter

Sandi joined the LTA Board in January 2017 as a Council-elected Non-Executive Director. On the LTA Council she represents Kent where she is the Lead Volunteer and has been involved in a wide range of Kent activities and projects for over 25 years. At the LTA Sandi is a member of the Tennis Development Committee and the Council Nominations Committee. She is also a member of the Tennis Europe Junior Tennis Committee. Sandi is a former PE teacher turned tennis coach and has a particular passion for mini tennis. She created the Mini Tennis Red, Orange and Green programme and the Tennis Leaders Programme for the LTA, with resources, training materials and delivery to British coaches.

David Rawlinson

David joined the LTA Board in 2014 as a Council-elected Non-Executive Director and took up the role of LTA Deputy President in January 2017. He joined the LTA Council in 2006 representing Bedfordshire where he has served as Treasurer, Sponsorship Co-ordinator, Men's Captain and Lead Volunteer. David chairs the Investment Advisory Group and serves on the Tennis Development, Audit, Remuneration and Council and Board Nominations committees. He is a Tennis Europe Board Member & Treasurer having been appointed in March 2017. David is also a member of the ITF Seniors Committee and is an active player competing in National and International Seniors' Tournaments. He has represented Bedfordshire at County level in the Men's and Seniors' teams and has played for England in the Four Nations Seniors' competition. David is a practising Chartered Accountant and a Rotarian.

Simon Steele

Simon is the Finance Director at the LTA, joining in October 2016. He is a member of the Investment Advisory Group and is also responsible for the LTA's legal and technology departments. He has over 10 years' experience in the sports industry across a number of different organisations. Most recently he was Head of Finance and Business Development at Team Sky and prior to that spent 15 years at Sky, leading finance teams supporting business areas including marketing, technology and Sky Sports. Simon is a member of the Institute of Chartered Accountants in England and Wales, having trained and qualified with KPMG.

Sir David Tanner

Sir David joined the LTA Board on 1 August 2018 as an Independent Non-Executive Director and is a member of the Board Nominations Committee. He was the Performance Director for British Rowing until he stepped down in February 2018 after 21 years in the role. Sir David is a medal-winning Olympic coach and has had a successful full-time career in education. He is a Non-Executive Director on the Board of the English Institute of Sport and is Chair of Governors at Orleans Park Academy in Twickenham. Sir David was appointed OBE in 2003, CBE in 2009 and received a knighthood from the Queen in 2013 for services to the London 2012 Olympic and Paralympic Games. He is an ardent tennis supporter.

Listed below are the persons who served as Directors during the year and their attendance at Board meetings held:

Name		No. of meetings attended in year
Lord Davies of Abersoch	Chairman of the Board (appointed 27 September 2018)	2 out of 2
David Gregson	Chairman of the Board (resigned 27 September 2018)	4 out of 4
Martin Corrie	President & Non-Executive Director	1 out of 4
Rachel Baillache	Independent Non-Executive Director (appointed 26 September 2018)	2 out of 2
Richard Baker	Independent Non-Executive Director (resigned 15 July 2018)	3 out of 3
Sara Bennison	Independent Non-Executive Director (appointed 6 June 2018)	3 out of 3
Craig Haworth	Council-elected Non-Executive Director	5 out of 5
Clare Hollingsworth	Senior Independent Non-Executive Director	5 out of 5
Scott Lloyd	Chief Executive Officer (appointed 8 January 2018)	5 out of 5
Nicola Maskens	Chair of Tennis Development Committee and Non-Executive Director	4 out of 5
Sandi Procter	Council-elected Non-Executive Director	5 out of 5
David Rawlinson	Deputy President and Non-Executive Director	5 out of 5
Simon Steele	Finance Director	5 out of 5
Sir David Tanner	Independent Non-Executive Director (appointed 1 August 2018)	2 out of 2

Stephen Farrow was the LTA's Company Secretary during the year and attended each Board meeting in this capacity.

New Board members receive an induction into the LTA and on-going training as required. Board members also have access to the Company Secretary and any external advisors and resources as required. The LTA maintains director's liability insurance on behalf of its Board.

The Executive

The Executive is responsible for the implementation of the strategy, financial plans, objectives and major policies of the LTA. It is directly accountable to the Board, and responsible for briefing and updating the Board with relevant information. The Executive team at the date of signing this report consisted of:

Scott Lloyd, Chief Executive Officer
Simon Steele, Finance Director
Stephen Farrow, Director of International Events and Professional Game
Victoria O'Byrne, Communications Director
Julie Porter, Chief Operating Officer
Oliver Scadgell, Participation Director
Simon Timson, Performance Director
Vicky Williams, People Director

Board Committees

The Board has a number of sub-committees which have delegated responsibility for key areas. Each committee has terms of reference approved by the Board and all committees report back to the Board. Minutes of sub-committee meetings are circulated to all Board members.

i) Audit Committee

The main role and responsibilities of the Audit Committee are to monitor the integrity of the financial statements of the LTA, the internal financial controls and financial risk management systems, performance of the Investment Advisory Group, manage the appointment, independence and performance of the external and internal auditors and to review and recommend the annual financial statements to the Board for approval.

The Audit Committee reports to the Board and meets at least three times a year. The Audit Committee Chair presents an annual report to Council.

The Audit Committee members during the year were:

Name	No. of meetings attended in year
Rachel Baillache (appointed 26 September 2018)	2 out of 2
Margaret Ewing (resigned 28 September 2018)	2 out of 2
Clare Hollingsworth (Chair)	3 out of 3
David Rawlinson	3 out of 3

The Chief Executive Officer, Finance Director, Head of Group Finance and the LTA's internal and external auditors attended the Audit Committee meetings in 2018 by invitation as appropriate.

Grant Thornton, internal auditors to the LTA presented findings and recommendations from internal audit reviews, undertaken in 2018, to the Committee.

The Audit Committee considers and receives reports from the Executive on the nature of risks facing the LTA, the categories of risk that are acceptable, the likelihood and impact of risks materialising, the LTA's ability to reduce or mitigate this likelihood and impact of risks on its business and the costs of operating the particular controls relative to the benefit obtained in managing the identified risks.

PricewaterhouseCoopers LLP, the independent external auditor, also provides tax advice to the LTA via separate engagement teams. The Audit Committee is satisfied that the provision of tax advice does not compromise the external auditors' objectivity and independence.

ii) Board Nominations Committee and Council Nominations Committee

The Board Nominations Committee keeps the composition of the Board under review, considers the appointments of independent members of the Board and takes part in succession planning at senior levels of management. The Council Nominations Committee considers the appointments of Councillors and other individuals to external and internal committees while also considering succession planning.

a) The Board Nominations Committee met three times during the year and comprised the following members:

Name	No. of meetings attended in year
Richard Baker (resigned 15 July 2018)	2 out of 2
Martin Corrie	0 out of 3
Lord Davies of Abersoch (appointed as Chair on 27 September 2018)	1 out of 1
David Gregson (resigned as Chair on 18 September 2018)	3 out of 3
Clare Hollingsworth	3 out of 3
David Rawlinson	3 out of 3

Stephen Farrow was the LTA's Company Secretary during the year and attended two meetings in that capacity (the third was held in camera with no Executives present).

b) The Council Nominations Committee met four times during the year and comprised the following members:

Name	No. of meetings attended in year
Martin Corrie	1 out of 4
Craig Haworth	4 out of 4
Nicola Maskens	4 out of 4
Sandi Procter	4 out of 4
David Rawlinson (Chair)	4 out of 4

Stephen Farrow attended all meetings in the capacity of the LTA's Company Secretary.

iii) Remuneration Committee

The main role of the Remuneration Committee is to determine the LTA's policy on remuneration and to advise on the total remuneration packages of the Chief Executive Officer and senior executives, making any necessary comparisons with market rates. The Remuneration Committee engages independent external consultants to benchmark remuneration levels as required.

The LTA's remuneration strategy is to pay executives appropriate market remuneration packages to attract and retain high-calibre individuals to manage and fulfil the LTA's objectives. No remuneration is paid to the Non-Executive Board members.

The Remuneration Committee members during the year were:

Name	No. of meetings attended in year
Rachel Baillache (appointed as Chair on 26 September 2018)	2 out of 2
Richard Baker (resigned as Chair on 15 July 2018)	2 out of 2
Sara Bennison	2 out of 2
Martin Corrie	1 out of 4
Lord Davies of Abersoch	0 out of 2
David Gregson	2 out of 2
David Rawlinson	4 out of 4

The Chief Executive Officer and People Director attended the Committee meetings in 2018 as appropriate.

iv) Safeguarding and Protection Committee

The Safeguarding and Protection Committee make decisions in safeguarding cases in accordance with the Safeguarding Procedures (Appendix Two to the Disciplinary Code). The Safeguarding and Protection Committee also advise generally on matters of safeguarding and protection of children, young people and adults at risk, as well as on policies, strategy and procedures.

The Safeguarding and Protection Committee members during the year were:

Name	Description
Eleanor Brazil (QC)	Independent Chair
Funke Awoderu	Council Member
Gary Bye	Independent Member
Nicola Dean	Independent Member
Nicola Maskens	Council Member
Liz McMahon	Independent Member
Pat Monro	Independent Member
Richard Smallbone	Independent Member
Liz Sweeting	Council Member

Ten meetings were held during 2018 (2017: five). The quorum for any meeting is three, with the chairperson selecting a minimum of two other members to consider any case. The Legal Director, Head of Safeguarding and Safeguarding Manager attended the Committee meetings in 2018 as appropriate.

Council

The LTA Council is the democratic forum of member associations and other key interest groups in British tennis. Its composition and powers are governed by the Rules of the LTA, and the way it operates is covered by the Standing Orders. The Council is led by the President, who with their Deputy and the other Councillors has the following broad areas of responsibility:

- to represent the views and interests of their member organisation or stakeholder group
- to contribute their knowledge and experience to the development and review of strategy
- to approve key appointments, and any changes to the LTA's primary governance documents
- to communicate and champion the strategy
- to role model the values of Passion, Integrity, Teamwork and Excellence

The Council met four times in the year and at those meetings received reports from the Board.

Directors' confirmations

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

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

Information on the Group's risk management and future developments can be found on pages 11-12 as part of the Strategic Report while information on related party transactions is disclosed on pages 50-51 as part of the notes to the financial statements.

The Directors Report was approved and authorised for issue by the Board on 8 May 2019 and is signed on its behalf by:

A handwritten signature in black ink, appearing to read 'F. Davies', written over a horizontal line.

Lord Davies of Abersoch
Chairman
8 May 2019

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Independent Auditors' Report to the Members of Lawn Tennis Association Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lawn Tennis Association Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Finance and Governance Report (the "Annual Report"), which comprise: the Group Statement of Comprehensive Income, Group and Company Statements of Financial Position as at 31 December 2018, Group and Company Statements of Changes in Equity, Group Statement of Cash Flows and Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and

it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 May 2019

**Group Statement of Comprehensive Income
For the year ended 31 December 2018**

	Note	2018 £'000s	2017 £'000s
Revenue	2	64,479	60,638
Administrative expenses		(70,814)	(68,180)
Operating loss	3	(6,335)	(7,542)
Other interest receivable and similar income	5	1,433	1,754
Net (losses)/gains on fixed asset investments		(3,586)	2,650
Loss before taxation		(8,488)	(3,138)
Tax on loss	6	(350)	(441)
Loss and comprehensive expense for the year		(8,838)	(3,579)

All of the Group's activities are continuing.

There are no material differences between the loss before taxation and the loss for the financial year stated above and their historical cost equivalents for either 2018 or 2017.

The notes on pages 31 to 51 form an integral part of these financial statements.

**Group Statement of Financial Position
As at 31 December 2018**

	Note	2018 £'000s	2017 £'000s
Fixed assets			
Intangible assets	7	2,637	3,125
Property, plant and equipment	8	32,007	33,258
Investments	9	66,206	77,661
		100,850	114,044
Current assets			
Trade and other receivables – amounts falling due after more than one year	13	20,394	21,113
Trade and other receivables – amounts falling due within one year	13	41,423	41,886
Cash and cash equivalents	14	13,562	5,698
		75,379	68,697
Trade and other payables – amounts falling due within one year	15	(14,314)	(12,083)
Net current assets		61,065	56,614
Total assets less current liabilities		161,915	170,658
Provisions for liabilities			
Other provisions	16	(495)	(400)
Net assets		161,420	170,258
Equity			
Retained earnings		107,214	116,052
Other reserves	18	54,206	54,206
Total equity		161,420	170,258

The financial statements on pages 26 to 51 were approved and authorised for issue by the Board on 8th May 2019 and were signed on their behalf by:



**Scott Lloyd
Chief Executive Officer**

The notes on pages 31 to 51 form an integral part of these financial statements.

Company Statement of Financial Position
As at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Fixed assets			
Intangible assets	7	1,040	1,300
Investments	9	47,741	59,446
		48,781	60,746
Current assets			
Trade and other receivables – amounts falling due within one year	13	111,928	102,058
Cash and cash equivalents	14	18	300
		111,946	102,358
Trade and other payables – amounts falling due within one year	15	(994)	(1,032)
Net current assets		110,952	101,326
Total assets less current liabilities		159,733	162,072
Deferred tax liability	17	(450)	(1,004)
Net assets		159,283	161,068
Equity			
Retained earnings		159,283	161,068
Total equity		159,283	161,068

Lawn Tennis Association Limited made a loss after taxation of £1.8m in the year (2017: profit £2.4m).

The financial statements on pages 26 to 51 were approved and authorised for issue by the Board on 8th May 2019 and were signed on their behalf by:



Scott Lloyd
Chief Executive Officer

The notes on pages 31 to 51 form an integral part of these financial statements.

Group and Company Statements of Changes in Equity
For the year ended 31 December 2018

Group	Retained earnings £'000s	Other reserves £'000s	Total equity £'000s
Balance as at 1 January 2017	119,631	54,206	173,837
(Loss)/Profit for the financial year	(3,579)	-	(3,579)
Balance as at 31 December 2017	116,052	54,206	170,258
Balance as at 1 January 2018	116,052	54,206	170,258
Loss for the financial year	(8,838)	-	(8,838)
Balance as at 31 December 2018	107,214	54,206	161,420

Company	Retained Earnings £'000s	Other reserves £'000s	Total equity £'000s
Balance as at 1 January 2017	158,714	-	158,714
Profit for the financial year	2,354	-	2,354
Balance as at 31 December 2017	161,068	-	161,068
Balance as at 1 January 2018	161,068	-	161,068
Loss for the financial year	(1,785)	-	(1,785)
Balance as at 31 December 2018	159,283	-	159,283

Group Statement of Cash Flows
For the year ended 31 December 2018

	2018 £'000s	2017 £'000s
Cash flows from operating activities		
Operating loss	(6,335)	(7,542)
Depreciation charge (net of loss on disposal)	2,070	1,405
Amortisation charge	1,279	1,401
(Increase)/Decrease in debtors	(4,022)	5,028
Decrease/(Increase) in outstanding loans to places to play	204	(1,299)
Increase/(Decrease) in creditors	2,352	(3,805)
Taxation paid	(436)	(1,682)
Net cash used in operating activities	<u>(4,888)</u>	<u>(6,494)</u>
Cash flow from investing activities		
Payments to acquire intangible fixed assets	(809)	(752)
Payments to acquire tangible fixed assets	(903)	(1,066)
Receipts from sale of fixed asset investments	69,833	12,119
Payments to acquire fixed asset investments	(61,802)	(13,082)
Proceeds from sale of joint venture	5,000	5,000
Interest received	88	131
Income from fixed asset investments	1,345	1,625
Net cash generated from investing activities	<u>12,752</u>	<u>3,975</u>
Net increase/(decrease) in cash and cash equivalents	7,864	(2,519)
Cash and cash equivalents at the beginning of the year	5,698	8,217
Cash and cash equivalents at the end of the year	<u>13,562</u>	<u>5,698</u>
Cash and cash equivalents consists of:		
Cash at bank and in hand	13,562	5,698
Cash and cash equivalents	<u>13,562</u>	<u>5,698</u>

The notes on pages 31 to 51 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

Lawn Tennis Association Limited ('the Company') is a private company limited by guarantee having no share capital and is incorporated and domiciled in United Kingdom. The address of its registered office is The National Tennis Centre, 100 Priory Lane, London, SW15 5JQ, England.

Statement of compliance

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

Lawn Tennis Association Limited constitutes a public benefit entity ('PBE') as defined by FRS 102, being an entity whose primary objective is to provide goods and services for the general public.

Summary of significant accounting policies

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

a) Basis of preparation

The Group and Company financial statements are prepared on a going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

b) Going concern

On the basis of their assessment of the Group financial position and resources, the directors believe that the Group is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Exemptions for qualifying entities under FRS 102

As the Company is a member of the Group whose consolidated financial statements are publicly available it meets the exemption for qualifying entities as defined by FRS 102. As a qualifying entity it is entitled to certain disclosure exemptions, subject to certain conditions that have been complied with, including notification of and no objection to, the use of exemptions by the Company's members.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from disclosing the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;

Notes to the financial statements

1. Accounting policies (continued)

d) Lawn Tennis Association Limited

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company, Lawn Tennis Association Limited, is not presented as part of these financial statements. The parent company's loss for the year ended 31 December 2018 was £1.8 million (profit for year ended 31 December 2017: £2.4 million).

e) Basis of consolidation

The Group financial statements consolidate the financial statements of the Lawn Tennis Association Limited ('the Company') and its subsidiary undertakings (including The LTA Trust) made up to 31 December 2018. The profits and losses of subsidiaries are consolidated from the date of acquisition to the date of disposal.

During the year, the control and governance arrangements in respect of The LTA Trust were reassessed in light of potential changes in the control and governance over the TF. As a result, the control indicators were reassessed and the decision taken that The LTA Trust should be consolidated by the LTA and should also have been consolidated in the prior year. As a result, 2017 has been restated on the same basis.

Uniform accounting policies are used for all the companies included in the LTA Group consolidation.

f) Quasi subsidiaries

In determining whether a company controls another entity, regard should be had to who in practice directs the entity's financial and operating policies. Lawn Tennis Association (unincorporated) is not directly owned by the Group but meets the definition of a quasi-subsidiary under paragraph 9.1 and 9.11 of FRS 102 as it is managed on a unified basis by the Company. As such, it has been accounted for in the same way as other subsidiaries and has been fully consolidated into the Group financial statements.

g) Accounting for unincorporated joint arrangement – The Wimbledon Championships

In these financial statements the Wimbledon Championships are accounted for as an unincorporated joint arrangement. The joint arrangement is governed by a 1934 principal agreement which has been supplemented and amended by various agreements or deeds, most recently in 2013 between the Club and the LTA, whereby the Wimbledon Championships are controlled, managed and promoted by the Committee of Management which consists of twelve members representing the Club and seven members representing the LTA. The Wimbledon Championships prepares its financial statements to 31 July.

The allocation of the financial surplus of the Wimbledon Championships is also governed by this agreement. The financial arrangements are designed to advance the interests of British tennis. 90% of the surplus is distributed to the LTA from the distribution as agreed by the Joint Finance Committee.

Notes to the financial statements

1. Accounting policies (continued)

h) Revenue

Revenue includes the gross surplus of the Wimbledon Championships due to the LTA, Sport England grant, income from ticketing and hospitality fees from tennis tournaments, commercial and sponsorship income, government grants, advertising income and subscriptions less any refunds or returns and is stated net of VAT.

Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration. This is recorded at the value of the consideration due. Where a contract has only been partially completed at the statement of financial position date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. The Group follows the cost model under Section 24 of FRS 102.

i) Grants

Grant income is recognised in the income statement either on receipt or in the period in which the related expenditure is incurred, depending on the nature of the grant when the entity complies with the conditions attaching to them. Section 24 of FRS 102, 'Government grants' permits either the performance model or the accrual model to recognise government grants. Grants relating to revenue are recognised in income on a systematic basis over the period in which the Group recognised the related costs for which the grant is intended to compensate.

Grant expenditure is recognised in the income statement in the period in which the grant was made or committed to other third parties.

j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

k) Operating leases

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

Notes to the financial statements

1. Accounting policies (continued)

l) Intangible fixed assets and amortisation

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

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

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

Computer software	4 years
Assets under construction	0 years

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

m) Property, plant and equipment and depreciation

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

Depreciation is calculated to write off the cost, less estimated residual value, of property, plant and equipment over their expected lives by equal annual instalments. Depreciation is provided on all property, plant and equipment apart from freehold land and assets under construction. The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The following asset lives are used:

Land & buildings	10-125 years
Motor vehicles	4 years
Furniture, computers & equipment	3 to 20 years
Assets under construction	0 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively. Assets under construction are depreciated once their useful lives commence and in accordance with their asset class.

n) Impairment of non-financial assets

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

Notes to the financial statements

1. Accounting policies (continued)

Impairment of non-financial assets (continued)

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's (or asset's cash generating unit) continued use.

The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

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

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

o) Investments

Investments in subsidiaries are stated at cost less any provision considered necessary for permanent diminution in value.

Third party investments comprises of shares or stocks. Investments where no control, joint control or significant influence is held i.e. other investments, are measured at fair value with movements going through income statement. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

p) Hedging

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

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

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

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

Notes to the financial statements

1. Accounting policies (continued)

q) Financial instruments

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

(i) Financial assets

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

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

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

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

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

(ii) Financial liabilities

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

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

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

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

The Company does not hold or issue derivative financial instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Loans paid and received are offset and the net amounts presented in the financial statements as doing so enhance the understanding of the cash flows.

r) Cash and cash equivalents

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

Notes to the financial statements

1. Accounting policies (continued)

Cash and cash equivalents (continued)

Cash and cash equivalents are stated at face value.

s) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Taxation represents the amount estimated to be payable or recoverable in respect of the taxable profit or loss for the period, along with adjustments to estimates in respect of previous periods.

Current or deferred taxation assets and liabilities are not discounted.

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

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

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

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

t) Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements.

Short-term benefits:

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Termination benefits:

Termination benefits are recognised as an expense in the period in which the benefits are provided to the employees or are expensed and accrued when the Group has committed to make payments in the future. If there is an uncertainty about the number of employees who will accept an offer of termination benefits, the contingent liabilities is disclosed unless the possibility of an outflow in settlement is remote.

Pension costs:

Contributions payable to defined contribution schemes are charged to the income statement in the period to which they relate. There are no defined benefit pension obligations.

u) Concessionary loans

Concessionary loans made are initially measured at the amount paid. In subsequent years, the carrying amount of concessionary loans is adjusted to reflect any accrued interest payable or receivable.

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

Notes to the financial statements

1. Accounting policies (continued)

v) Critical judgements and estimates in applying the accounting policy

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

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

w) Amendments to FRS 102

The following amendments to FRS 102 (issued in July 2015) have been adopted by the Group in the financial statements.

i) Amendments to Section 4: Statement of financial position:

The Group has adopted the amendments to para 4.2 of FRS 102. The Group has chosen to apply IFRS format in presenting the Statement of financial position. The terminology has been changed as per IFRS. The presentational change has no such material impact in the Group's financial statements.

ii) Amendments to Section 5: Income statement and statement of other comprehensive income:

The Group has adopted the amendments to para 5.10 of FRS 102. The Group has chosen to apply IFRS format in presenting the Statement of income and Statement of comprehensive income. The terminology has been changed as per IFRS. The presentational change has no such material impact in the Group's financial statements.

iii) Amendments to Section 18: Intangible assets including goodwill:

The Group has adopted the amendments to para 18.19 and 18.20 of FRS 102. The amendments to para 18.19 clarifies if an entity is unable to make a reliable estimate of the useful life of an intangible asset, the useful life limit should not exceed ten years. As the Group does not have any intangible assets with indefinite useful life, the application of amendments has no material impact on the disclosures or on the amounts recognised in the Group's financial statements.

iv) Amendments to Section 27: Impairment of assets:

The Group has adopted the amendments to para 27.31 of FRS 102. The amendments to para 27.31 clarify the removal of hierarchy for reversing impairment charges, with the entity no longer required to allocate the amount of impairment reversal in a particular order. This is largely due to the fact that goodwill impairment reversals are no longer permitted under FRS 102. As the Group does not have any impairment charges that qualify for reversal, the application of amendments has no material impact on the disclosures or on the amounts recognised in the Group's financial statements.

v) Amendments to Section 33: Related party disclosures:

The Group has adopted the amendments to para 33.2(viii) of FRS 102. The amendments clarify the increase in scope of related parties by including an entity, or any member of a group of which it is a part, that provides key management personnel services to the reporting entity or to the parent of the reporting entity, as being a related entity. As the Group already discloses all of its parent-subsidiary relationships in note 22, the application of amendments has no material impact on the disclosures or on the amounts recognised in the Group's financial statements.

Notes to the financial statements

2. Revenue

Revenue arises materially from trading activities in the UK. Minimal revenue is earned from the participation of British teams in Davis Cup and Fed Cup ties overseas.

Analysis of revenue by category:

	2018 £'000s	2017 £'000s
Rendering of services	61,583	57,227
Grant income	2,896	3,411
	<u>64,479</u>	<u>60,638</u>

Analysis of revenue by subcategory:

	2018 £'000s	2017 £'000s
Revenue from the Wimbledon Championships	40,821	33,604
Commercial	5,488	9,551
Major events	14,295	13,363
Sport England revenue and other grants	2,535	3,411
Other revenue	1,340	709
	<u>64,479</u>	<u>60,638</u>

3. Operating loss

	2018 £'000s	2017 £'000s
Operating loss is stated after charging/(crediting):		
Amortisation of intangible assets (note 7)	1,279	1,401
Depreciation (note 8)	1,547	1,465
Loss on disposal of assets	524	62
Operating lease and other hire charges:		
- Plant and machinery	89	115
- Motor vehicles	163	231
Auditors' remuneration:		
- Audit fee for parent company and consolidated financial statements	54	52
- Audit fee for audit of subsidiaries	5	5
- Tax compliance services	46	44
- Non-audit services	79	64
Donations payable:		
- The Tennis Foundation (note 22)	4,443	7,442
Grant income	<u>(2,896)</u>	<u>(3,411)</u>

Notes to the financial statements

4. Employees and directors

The average monthly number of employees, including directors, of the Group during the year was 282 (2017: 275) as follows:

	2018 Number	2017 Number
Participation	87	86
Performance	54	45
Commercial, major events and marketing	75	67
Business support and governance	66	77
	<u>282</u>	<u>275</u>

The Company has no (2017: nil) employees.

The aggregate amounts payable to employees of the Group during the year were:

	2018 £'000s	2017 £'000s
Group employees		
Wages and salaries	15,358	13,622
Social security costs	1,729	1,536
Other pension costs	907	778
	<u>17,994</u>	<u>15,936</u>
Charge to The Tennis Foundation (note 22)	(752)	(2,475)
	<u>17,242</u>	<u>13,461</u>
Directors' remuneration		
Aggregate salaries and benefit in kind	493	351
Variable pay due under short-term incentive schemes	110	36
Company pension contributions to money purchase scheme	44	33
	<u>647</u>	<u>420</u>
Compensation for international cost of living impact	-	22
Aggregate emoluments	<u>647</u>	<u>442</u>

The aggregate emoluments were paid to two (2017: two) directors, both of whom were employed for the whole of 2018 (2017: one). Variable pay is based upon personal objectives, agreed targets and performance measures. Retirement benefits are accruing to two (2017: two) directors under a money purchase scheme.

	2018 £'000s	2017 £'000s
Highest paid director		
Aggregate salaries and benefit in kind	317	174
Variable pay due under short-term incentive schemes	76	36
Company pension contributions to money purchase scheme	28	16
Aggregate emoluments	<u>421</u>	<u>226</u>

A full years remuneration was paid to the LTA's CEO in 2018. In 2017, the then CEO stepped down in June and was therefore only in place for six months of the year.

Notes to the financial statements

5. Other interest receivable and similar income

	2018 £'000s	2017 £'000s
Group interest receivable	13	6
Interest on deferred consideration	75	191
Income from fixed asset investments	1,345	1,557
Net finance income	1,433	1,754

6. Tax on loss

	2018 £'000s	2017 £'000s
Group taxation		
Current tax		
UK corporation tax on results for the year	1,347	1,212
Adjustment in respect of prior years	(167)	472
Total current tax	1,180	1,684
Deferred tax:		
Origination and reversal of timing differences	(1,318)	(704)
Effect of future corporation tax rate changes	139	83
Adjustment in respect of prior years	349	(622)
Total deferred tax	(830)	(1,243)
Tax on loss	350	441

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% average for the year (2017: 19%). The differences are explained below:

	2018 £'000s	2017 £'000s
Factors affecting tax charge		
Loss before taxation	(8,488)	(3,138)
Loss before taxation multiplied by standard corporation tax rate in the UK of 19% (2017: 19%) for large entities and 19% (2017: 19%) for smaller entities	(1,613)	(604)
Effects of:		
Expenses not deductible for tax purposes	2,086	1,906
Accelerated capital allowances and other timing differences	(231)	54
Income not taxable	(214)	(851)
Adjustment in respect of prior years	181	(150)
Deferred tax not recognised	2	3
Effect of future corporation tax rate changes	139	83
Total tax charge	350	441

Under the Finance Act 2015, the main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017. The Act included a further reduction to 18% with effect from 1 April 2020. The Finance Act 2016 provided a further reduction to the main rate of corporation tax to 17% from 1 April 2020. The deferred tax balances at this date have been measured at 17%, the rate at which the deferred tax asset is expected to reverse.

Notes to the financial statements

7. Intangible assets

Group

	Restated Commercial rights	Assets under construction	Computer software	Total
	£'000s	£'000s	£'000s	£'000s
Cost:				
At 1 January 2018	2,080	-	5,087	7,167
Additions	-	452	339	791
At 31 December 2018	2,080	452	5,426	7,958
Accumulated Amortisation:				
At 1 January 2018	780	-	3,262	4,042
Charge for the year	260	-	1,019	1,279
At 31 December 2018	1,040	-	4,281	5,321
Net book value				
At 31 December 2018	1,040	452	1,145	2,637
At 31 December 2017	1,300	-	1,825	3,125

Company

	Commercial rights
	£'000s
Cost:	
At 1 January 2018	2,080
Additions	-
At 31 December 2018	2,080
Accumulated Amortisation:	
At 1 January 2018	780
Charge for the year	260
At 31 December 2018	1,040
Net book value:	
At 31 December 2018	1,040
At 31 December 2017	1,300

Commercial rights consist of The Queen's Club Championships ATP 500 sanction. The LTA acquired this sanction in 2014 at a cost of £2.1m following the upgrade of The Queen's Club Championships. This cost is being amortised over the life of the agreement to 2022 resulting in a net book value at 31 December 2018 of £1.0m (2017: £1.3m).

Within intangible assets there is £1.8m of computer software that has been reclassified from Furniture, computers & equipment in line with Section 18 of FRS102. Also, £2.2m of facility improvements at LTA tournament sites have been reclassified from Commercial rights to Land and buildings in order to provide a more accurate representation of the underlying assets.

Notes to the financial statements

8. Property, plant and equipment

Group	Restated Land & buildings £'000s	Motor vehicles £'000s	Furniture, computers & equipment £'000s	Total £'000s
Cost:				
At 1 January 2018	36,782	83	18,337	55,202
Additions	11	(2)	812	821
Disposals	(901)	-	(45)	(946)
At 31 December 2018	35,892	81	19,104	55,077
Accumulated Depreciation:				
At 1 January 2018	7,863	58	14,023	21,944
Charge for the year	708	13	826	1,547
Disposals	(375)	-	(46)	(421)
At 31 December 2018	8,196	71	14,803	23,070
Net book value:				
As at 31 December 2018	27,696	10	4,301	32,007
As at 31 December 2017	28,919	25	4,314	33,258

The net book value of land and buildings comprises long leasehold assets.

Within Land & buildings there are £2.2m of facility improvements at LTA tournament sites that have been reclassified from Commercial rights in order to provide a more accurate representation of the underlying assets. Also, £1.8m of computer software has been reclassified from Furniture, computers & equipment to intangible assets in line with Section 18 of FRS 102.

The Company does not hold any Property, plant and equipment (2017: £nil).

9. Investments

Group	Third party investments £'000s
Net book value	
At 1 January 2018	77,661
Additions	66,742
Disposals	(67,303)
Fair value adjustment	(5,954)
Movements in cash	(4,940)
At 31 December 2018	66,206

In 2018, The LTA Trust was consolidated in the Group financial statements therefore the balance as at 1 January 2018 has been restated by £30.0m to include the value of The LTA Trust's investments held on that date.

Notes to the financial statements

9. Investments (continued)

Company	Third party investments £'000s	Subsidiaries £'000s	Total £'000s
Net book value			
At 1 January 2018	47,650	11,796	59,446
Additions	39,829	-	39,829
Disposals	(41,856)	-	(41,856)
Fair value adjustment	(4,848)	-	(4,848)
Movement in cash	(4,830)	-	(4,830)
At 31 December 2018	35,945	11,796	47,741

The subsidiaries below are all incorporated in the UK, were wholly owned by the Lawn Tennis Association Limited at 31 December 2018 and are registered at The National Tennis Centre, 100 Priory Lane, Roehampton, London, SW15 5JQ.

Subsidiary	Nature of activities
LTA Operations Limited *	Trading entity of the LTA Group
LTA Property Limited *	Holding company for land and buildings of the LTA Group
LTA Holdings Limited *	Holding company for the previous Lawn Tennis Association unincorporated subsidiaries
LTA Nominees Limited	Nominee company for the LTA
LTA Developments Limited	Manages tennis developments on behalf of the LTA
LTA Events Limited	Facilitates and manages tennis tournaments on behalf of the LTA
LTA Ground Limited	Manages the prepaid court arrangement with Queenswood School
LTA Services Limited	Provides manpower services
Tennis GB Limited	Publishes tennis magazines and other tennis publications (Dormant)
The LTA Trust*	Independent charity to promote community participation

* Direct subsidiaries of Lawn Tennis Association Limited.

The directors believe that the carrying value of investments is supported by the underlying net assets.

Lawn Tennis Association Limited has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 31 December 2018.

Subsidiary	Nature of activities
LTA Holdings Limited	Holding company for the previous Lawn Tennis Association unincorporated subsidiaries
LTA Nominees Limited	Nominee company for the LTA
LTA Developments Limited	Manages tennis developments on behalf of the LTA
LTA Events Limited	Facilitates and manages tennis tournaments on behalf of the LTA
LTA Ground Limited	Manages the prepaid court arrangement with Queenswood School
LTA Services Limited	Provides manpower services
Tennis GB Limited	Publishes tennis magazines and other tennis publications (Dormant)

Notes to the financial statements

10. Lawn Tennis Association

The Income Statement and Statement of Financial Position of the unincorporated entity Lawn Tennis Association are included in the Group financial statements and are provided below on the grounds that they are treated as a quasi-subsidiary managed on a unified basis by the management of the LTA Group.

	2018 £'000s	2017 £'000s
Income statement		
Operating result	-	-
Profit before tax	-	-
Profit for the financial year	-	-
	<hr/>	<hr/>
	2018 £'000s	2017 £'000s
Statement of financial position		
Debtors due after more than one year	1,188	1,055
Cash at bank and in hand	35	168
Creditors due less than one year	-	-
Net assets	<hr/> 1,223 <hr/>	<hr/> 1,223 <hr/>

11. The LTA Trust

The LTA Trust was established as a registered charity within the LTA Group as a wholly owned subsidiary of Lawn Tennis Association Limited in 2012 (charity number 1148421).

During the year, the control and governance arrangements in respect of The LTA Trust were reassessed in light of potential changes in the control and governance over the TF. As a result, the control indicators were reassessed and the decision taken that The LTA Trust should be consolidated by the LTA. The indicators were the same in the prior year and, as a consequence, 2017 has been restated on the same basis.

The key financial information in respect of The LTA Trust is as follows:

	2018 £'000s	2017 £'000s
Total incoming resources	519	611
Total resources expended	(798)	(163)
Net incoming resources before other recognised gains or losses	(279)	448
(Loss)/Gains on investment assets	(1,116)	682
Net movement in funds	(1,395)	1,130
Gross assets		
Investments	30,260	30,011
Cash at bank and in hand	70	1,027
	<hr/> 30,330 <hr/>	<hr/> 31,038 <hr/>
Gross liabilities		
Liabilities due within one year	(1,124)	(437)
Total assets less current liabilities	<hr/> 29,206 <hr/>	<hr/> 30,601 <hr/>
Net assets	<hr/> 29,206 <hr/>	<hr/> 30,601 <hr/>
Unrestricted funds	<hr/> 29,206 <hr/>	<hr/> 30,601 <hr/>

Notes to the financial statements

12. Financial instruments by category

	Group	Group	Company	Company
	2018	2017	2018	2017
	£'000s	£'000s	£'000s	£'000s

Financial instruments by category

The Group & Company have the following financial instruments:

Financial assets at fair value through income statement:

Third party investments (note 9)	<u>66,206</u>	<u>77,661</u>	<u>35,945</u>	<u>47,650</u>
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Financial assets that are debt instruments measured at amortised cost:

Trade and receivables (note 13)	1,805	627	-	-
Other receivables (note 13)	47,694	50,680	111,928	102,058
Concessionary loans (note 13)	10,533	10,737	-	-
Cash at bank and in hand (note 14)	13,562	5,698	18	300
	<u>73,594</u>	<u>67,742</u>	<u>111,946</u>	<u>102,358</u>

Financial liabilities measured at amortised cost:

Trade and payables (note 15)	613	165	-	-
Other payables (note 15)	13,314	11,505	885	1,032
	<u>13,927</u>	<u>11,670</u>	<u>885</u>	<u>1,032</u>

13. Trade and other receivables

	Group	Group	Company	Company
	2018	2017	2018	2017
	£'000s	£'000s	£'000s	£'000s
Amounts falling due within one year:				
Trade receivables	1,805	627	-	-
Amounts owed by Group undertakings (i)	-	-	111,921	97,037
Amounts owed by the Wimbledon Championships	32,785	28,637	-	-
Amounts owed by AELTC for sale of AELTG (ii)	-	5,000	-	5,000
Amounts owed by The Tennis Foundation	598	1,117	-	-
Concessionary loans (iii)	1,638	1,457	-	-
Tennis developments (iv)	114	150	-	-
Other receivables	1,620	1,637	7	21
Prepayments and accrued income	2,863	3,261	-	-
	<u>41,423</u>	<u>41,886</u>	<u>111,928</u>	<u>102,058</u>

Notes to the financial statements

13. Trade and other receivables (continued)

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
Amounts falling due after more than one year:				
Concessionary loans (iii)	8,895	9,280	-	-
Deferred tax asset	1,785	955	-	-
Tennis developments (iv)	3,240	3,379	-	-
Prepayments and accrued income	6,474	7,499	-	-
	<u>20,394</u>	<u>21,113</u>	<u>-</u>	<u>-</u>

- (i) Amounts owed by Group undertakings represent intercompany loans that are measured at cost, interest free and repayable on demand.
- (ii) The book profit from the sale of AELTG was £32,126,000 with the consideration of £55,000,000 being offset by the interest in the joint venture of £22,874,000. The £55,000,000 has been received in instalments between August 2013 and 2018. The amount was not discounted, as discounting was not material. Interest receivable on deferred consideration was calculated at 1% per annum plus the average Bank of England base rate for that year.

(iii) Concessionary loans

Group	2018 £'000s	2017 £'000s
Amounts falling due within one year	1,638	1,457
Amounts falling due after more than one year	8,895	9,280
	<u>10,533</u>	<u>10,737</u>

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

- (iv) Included within amounts falling due after more than one year is £3,240,000 (2017: £3,379,000) that represents an amount repayable over a 20 year period, that commenced in 2005, from The West Hants LTC for loans that assisted with the development of the club. In 2006 a moratorium was agreed, deferring the instalments due in the calendar years 2007 and 2008, thus extending the repayment period to 22 years. In 2010 it was agreed to extend the repayment period to 30 years and repayments are being made on this basis.

14. Cash and cash equivalents

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
Cash at bank and in hand	13,562	5,698	18	300
	<u>13,562</u>	<u>5,698</u>	<u>18</u>	<u>300</u>

Notes to the financial statements

15. Trade and other payables - amounts falling due within one year

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
Trade payables	613	165	-	-
Corporation tax	387	415	109	-
Amounts owed to group undertakings	-	-	156	-
Other payables	1,890	495	-	-
Accruals and deferred income	11,424	11,008	729	1,032
	14,314	12,083	994	1,032

16. Other Provisions

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
At 1 January	(400)	(400)	-	-
Charged/(credited) to income statement	(95)	-	-	-
At 31 December	(495)	(400)	-	-

Provisions relate to payroll costs of £400,000 and legal expenses of £95,000 are expected to be used during 2019.

17. Deferred tax asset/ (liability)

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
At 1 January	955	(288)	(1,004)	(999)
Credited/ (charged) to income statement	830	1,243	554	(5)
At 31 December	1,785	955	(450)	(1,004)

The gross deferred tax asset/ (liability) comprises:

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
Deferred capital allowances	2,863	2,539	-	-
Pension surplus	(547)	(593)	-	-
Short-term timing differences	(472)	(1,018)	(450)	(1,004)
FRS 102 Adjustment	24	27	-	-
Tax Losses carried forward	28	-	-	-
Deferred tax not recognised	(111)	-	-	-
Deferred tax asset/(liability)	1,785	955	(450)	(1,004)

Notes to the financial statements

18. Other reserves

	Group 2018 £'000s	Group 2017 £'000s	Company 2018 £'000s	Company 2017 £'000s
At 1 January and 31 December	54,206	54,206	-	-

Other reserves represent partial consideration in respect of the sale of AELTG by the LTA in 2013. It is management's intention that the consideration should be ring fenced for investment in legacy projects rather than in day to day operations.

19. Pension commitments

The Group operates various defined contribution pension schemes for its employees:

The LTA Group Money Purchase Personal Pension Plan (Money Purchase Scheme) is closed for new contributions and members, but has assets which are held in a separate trustee administered fund. The trustees of the scheme are all officers of the Company. All new contributions are paid into the LTA Group Personal Pension Plan ('the scheme') or private personal pension plans. The scheme is funded by contributions from the LTA and its employees. Annual contributions to the scheme by the LTA are related to pensionable salaries. In 2014, the LTA auto enrolled its employees in accordance with the Pensions Act 2008. At 31 December 2018, 278 (2017: 289) employees were members of the scheme.

The contributions to the LTA schemes were:

	2018 £'000s	2017 £'000s
LTA Group personal pension plan (the scheme)	907	778
Total Group contributions	907	778

£nil contributions were outstanding at the year-end (2017: £nil).

20. Financial commitments

At 31 December, the Group had future minimum lease payments under non-cancellable operating leases for assets, other than land and buildings, and other financial commitments as follows:

	2018 £'000s	2017 £'000s
Operating leases which expire:		
within one year	59	73
within two to five years	75	7
	134	80

In addition to the commitments under non-cancellable operating leases noted above, there are loans of £2,160,000 (2017: £2,270,000) that have been approved for payment to places to play but have not yet been paid.

At 31 December 2018, the Company had no future minimum lease payments under non-cancellable operating leases for assets and other financial commitments.

Notes to the financial statements

21. Contingent liabilities

As disclosed in note 9 the Company has taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit of certain 100% owned subsidiaries. The Company guarantees the liabilities of the relevant companies at the end of the year until those liabilities have been settled in full. The contingent liability at the year-end was £3,038,865 (2017: £2,371,589).

22. Related party transactions

The Group has opted to take advantage of the exemption available in Section 33.1A of FRS 102 not to disclose transactions between Group entities that have been eliminated on consolidation.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,541,434 (2017: £1,570,100).

David Lloyd Leisure Limited

David Lloyd Leisure Limited is deemed a related party by virtue of common directorship. Scott Lloyd is a Non-Executive Director of Deuce Acquisitions Limited which is the holding company of David Lloyd Leisure Limited. In 2018, the LTA received income of £89,094 (2017: £69,201) and incurred costs of £335,160 (2017: £345,721) from David Lloyd clubs across the UK. The balance owed by David Lloyd clubs at 31 December 2018 was £2,429 (2017: £72,530).

The Wimbledon Championships

The LTA operates a joint arrangement under an agreement for the governance and operation of the Wimbledon Championships with the Club, AELTG and The All England Lawn Tennis Club (Wimbledon) Limited. In 2018 the Joint Management Committee of The Championships allocated 90% of the net surplus of The Championships to the LTA (2017: 90%) in line with the terms of the sale of the Ground Company effective 1 August 2013 which secured the 90% distribution of the net Championship surplus for the next 35 years. The LTA's share of the surplus of The Championships is based upon the audited financial statements prepared to 31 July 2017 and 2018.

The gross surplus of the Wimbledon Championships amounted to £37,800,000 (2017: £33,604,000). Net of withholding tax, officiating income, subvention income and income from the exercise of warrants over shares, the surplus receivable by the LTA amounted to £37,796,372 (2017: £30,637,000). In 2017 £3,000,000 of the surplus was donated to the TF. However, following the agreement to integrate the TF's activities into the LTA, this amount was allocated directly to the LTA in 2018. The amount due from the Wimbledon Championships at 31 December 2018 was £32,785,000 (31 December 2017: £28,637,000).

The costs of officiating services are charged to the Wimbledon Championships. This represents the LTA's work in partnership with the Association of British Tennis Officials to manage, supply and pay the umpires and other officials who work at the Wimbledon Championships each year. In 2018 the LTA recharged the Wimbledon Championships £1,276,511 (2017: £1,225,000) for these services.

In 2018, LTA Operations Limited received £1,000,000 (2017: £1,000,000) subvention payment from The Championships to help fund grass-court tournaments in the periods before and after The Championships and a further £442,855 (2017: £381,614) to support the grass court venues of the Trophy Series and the prize money at the Men's ATP Challenger/Women's ITF Pro-circuit. LTA Operations Limited also purchased £5,970,513 (2017: £5,612,965) of tickets at face value from The Championships for onward sale and distribution.

Notes to the financial statements

22. Related party transactions (continued)

The Tennis Foundation

Under agreement, the LTA and the TF run a number of programmes in partnership for the advancement of tennis across the areas of schools, community and tennis facilities. Currently, 72 employees (2017: 78) are employed jointly by the TF and the LTA to administer these charitable programmes and an appropriate proportion of these costs are recharged to the TF.

In 2018 the LTA donated £4,442,997 (2017: £7,441,740) to the TF. During the year the TF was charged £752,000 (2017: £2,475,000) for employment costs from the LTA. In addition, the TF was recharged on an arm's length basis £989,256 (2017: £1,400,000) by the LTA for support, administrative and management services to the TF. The amount owed by the TF at the year-end was £597,824 (2017: £1,117,000).

During the year, the Wimbledon Championships made a charitable donation of £nil (2017: £3,000,000) to the TF. A £3,000,000 donation from the surplus was not made to the TF in 2018 following the agreement to integrate the TF's activities into the LTA.

The LTA Trust

During the year, the LTA did not make a donation to The LTA Trust (2017: £nil).

23. Ultimate parent and controlling party

Lawn Tennis Association Limited is the ultimate parent undertaking and controlling party of the LTA Group, as detailed in Note 9.