

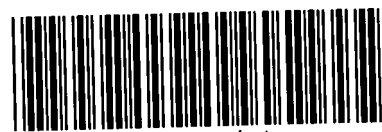
TOUR RACING LIMITED

Annual report and financial statements

31 December 2017

Company Registration No. 04078205

THURSDAY



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06/09/2018
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Tour Racing Limited

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Directors and Officers

For the year ending 31 December 2017

Directors

Tour Racing Limited's ("the Company") present Directors and those who served during the year are as follows:

G J McWilliam

D J Ward

R Kingston

Secretary

C J Taylor

Registered Office

Grant Way

Isleworth

Middlesex

TW7 5QD

Bankers

Royal Bank of Scotland Plc

St Andrew Square

Edinburgh

EH2 2YB

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Strategic Report and Directors' Report

The Directors present their Strategic and Annual Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 31 December 2017.

Strategic Report

Tour Racing Limited promotes a Great Britain based professional cycling team, which was set up in 2010 to compete in the International Cycle Union's World Tour. The Company was initially a wholly owned subsidiary of Sky UK Limited ("Sky"), before partnering with other group companies, Sky Italia S.r.l ("Sky Italia") and 21st Century Fox Europe, Inc ("21st Century Fox") in title sponsorship of the professional cycling team ("Team Sky").

Following changes to the shareholding detailed in note 13, Sky now holds an 85% stake in the Company and 21st Century Fox holds a 15% stake in the Company.

Sky Plc, our ultimate parent company, continues to be in a prolonged takeover offer period, with 21st Century Fox and Comcast having announced firm intentions to make cash offers on 15 December 2016 and 25 April 2018 respectively.

The 21st Century Fox offer continues to be reviewed by the Secretary of State for Digital, Culture, Media and Sport on public interest grounds. As of 19 June 2018, the Secretary of State has reached agreement with 21st Century Fox and The Walt Disney Company on the form of undertakings that the Secretary of State proposes to accept, in relation to the media plurality concerns identified by the Competition and Markets Authority. Following receipt of the Secretary of State's formal clearance (if received), 21st Century Fox would be expected to put its offer formally to shareholders shortly thereafter.

The Comcast offer has received clearances from the European Commission and a confirmation from the Secretary of State that he will not intervene on UK public interest grounds. As such, Comcast has until 13 July 2018 to put its offer formally to shareholders.

All shares are being held with the same terms and voting rights. Sky controlled the Company at 31 Dec 2017 and the Company was recognised as a subsidiary of the Sky plc Group ("the Group") during the period.

Since launch in 2010, having had the ultimate goal of having a British winner of the Tour de France by 2013, Team Sky has achieved five victories in the Tour de France, with Sir Bradley Wiggins winning in 2012, and Chris Froome winning in 2013, 2015, 2016 and now also in 2017.

In the 2017 season the team managed to achieve 20 stage wins and 23 race podium finishes, including 10 overall victories at the Tour de France, Vuelta a Espana, Milan-San Remo, Paris-Nice, Strade Bianche, Clasica San Sebastian, Tour of the Alps, Hammer Sportzone Limburg, Bretagne Classic and Cyclassics Hamburg.

Revenue

The increase in revenue to £34,496,000 (2016: £31,084,000) for the year to 31 December 2017 is a result of an increase in title sponsorship reflecting strong rider performance leading to higher staff and rider costs.

Operating profit

Audited financial statements for the year to 31 December 2017 are set out on pages 9 to 27. An operating profit of £39,000 was recorded for the year (2016: £35,000).

Balance Sheet

The Balance Sheet shows that the Company's shareholders' equity position at the year end is £nil (2016: £nil). The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: £nil).

Strategic Report and Directors' Report

Principal risks and uncertainties

The Company's activities expose it to financial risks, which are liquidity, foreign exchange, credit risk and operational risk.

Liquidity risk

The Company principally relies on the title sponsors to ensure that sufficient funds are available for ongoing operations and future developments. An investment agreement between the parties stipulates that quarterly payments in advance are to be made by the title sponsors based on the forecast quarterly cash flow requirement. In addition to this, the Company relies on the Sky Treasury function to manage its liquidity and ensure that sufficient funds are available for on-going operations and future developments. Sky currently has access to an undrawn £1 billion revolving credit facility, which is due to expire on 30 November 2021. The Company benefits from this liquidity through intra-group facilities and loans.

Foreign exchange risk

A proportion of the Company's revenues and operating costs are denominated in Euros. The exposure to foreign currency fluctuation is not managed through any formal hedging arrangement. However, the risk is mitigated to an extent by the natural hedging that arises from a matching of certain revenues and operating costs being denominated in Euros. Specifically, any fluctuations arising in revenue as a result of foreign exchange movements will be partially offset by opposite fluctuations in operating costs.

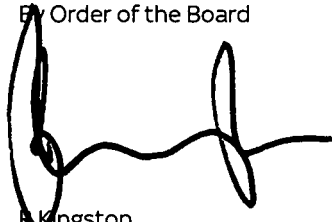
Credit risk

The balance sheet of the Company includes intercompany balances. The Company is therefore exposed to credit risk on these balances.

Operational risk

The Company's exposure to operational risks such as reputation, injuries to its riders, and consequent inability to meet the performance criteria is mitigated through: the existence and regular review of medical protocols agreed by all medical staff; maintaining a team of 25-30 riders to ensure there is always a sufficient number of fit riders to compete and meet the minimum performance criteria; rider contracts limiting participation in activities that may endanger fitness or ability to compete; and rider contracts limiting the period over which fees will continue to be paid to riders who are unable to compete.

By Order of the Board



R Kingston
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

26/06/2018

Strategic Report and Directors' Report

Directors' Report

The Directors who served during the year are shown on page 1.

The Directors do not recommend the payment of a dividend in the current year (2016: £nil).

Going concern basis

The Company's business activities, together with the factors likely to affect its future development and performance have been set out in the Strategic Report. The Strategic Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources, namely the title sponsorship commitment from Sky and 21st Century Fox, to cover any deficit between total costs and third party income, to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

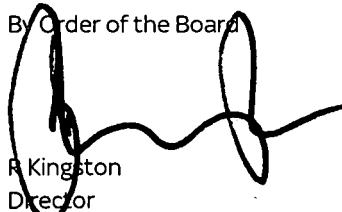
Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



R Kingston
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

26/06/2018

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditor's Report to the Members of Tour Racing Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tour Racing Limited (the 'company') which comprise:

- the Statement of Comprehensive Income;
- the Statement of Changes in Equity;
- the Balance Sheet;
- the Cash Flow Statement; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Tour Racing Ltd

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent Auditor's Report to the Members of Tour Racing Ltd

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

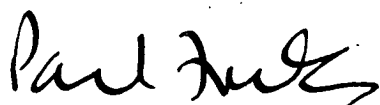
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Paul Franek FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26/06/2018

Statement of Comprehensive Income
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	2	34,496	31,084
Operating expense		<u>(34,457)</u>	<u>(31,049)</u>
Operating profit		<u>39</u>	<u>35</u>
Profit before tax	3	<u>39</u>	<u>35</u>
Taxation	4	<u>(39)</u>	<u>(35)</u>
Profit for the period attributable to equity shareholders		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of this Statement of Comprehensive Income.

For the years ended 31 December 2017 and 2016, the Company did not have any items of Other Comprehensive Income.

All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total shareholders' equity(deficit) £'000
At 1 January 2016	-	-	-
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	-	-
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	-	-
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For the years ended 31 December 2017 and 2016, the Company did not have any items of Other Comprehensive Income.

The accompanying notes are an integral part of this Statement of Changes in Equity.

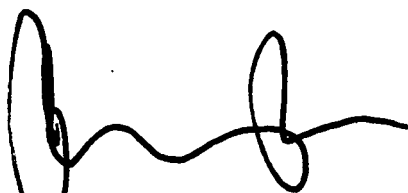
Balance Sheet
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	8	170	132
Deferred tax asset	5	177	161
		<u>347</u>	<u>293</u>
Current assets			
Trade and other receivables	9	3,798	2,506
Cash and cash equivalents		1,672	1,681
Current tax asset		-	14
		<u>5,470</u>	<u>4,201</u>
Total assets		<u>5,817</u>	<u>4,494</u>
Current liabilities			
Trade and other payables	10	2,980	1,736
Provisions	12	2,808	2,758
Current tax liabilities		29	-
		<u>5,817</u>	<u>4,494</u>
Total liabilities		<u>5,817</u>	<u>4,494</u>
Share capital	13	-	-
Reserves		-	-
		<u>-</u>	<u>-</u>
Shareholders' equity		<u>-</u>	<u>-</u>
Total liabilities and shareholders' equity		<u>5,817</u>	<u>4,494</u>

The accompanying notes are an integral part of this Balance Sheet.

The financial statements of Tour Racing Limited, registered number 04078205 were approved by the Board of Directors on 26/06/2018.

Signed on behalf of the Board of Directors



R Kingston
Director

Cash Flow Statement
Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows generated from operating activities			
Cash generated / (used in) from operations	14	109	(151)
Tax paid		(12)	(1)
Net cash generated / (used in) from operating activities		<u>97</u>	<u>(152)</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(106)	(39)
Net cash used in investing activities		<u>(106)</u>	<u>(39)</u>
Cash flows from financing activities			
		-	-
Net (decrease) / increase in cash and cash equivalents		<u>(9)</u>	<u>(191)</u>
Cash and cash equivalents at the beginning of the year		<u>1,681</u>	<u>1,872</u>
Cash and cash equivalents at the end of the year		<u><u>1,672</u></u>	<u><u>1,681</u></u>

The accompanying notes are an integral part of this Cash Flow Statement.

Notes to the Financial Statements

1. Accounting policies

Tour Racing Limited (the "Company") is a private company, limited by shares, incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), the Companies Act 2006 and Article 4 of the International Accounting Standard ("IAS") Regulations. In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB").

a) Basis of preparation

The financial statements have been prepared on an historical cost basis. The accounts have been prepared on the going concern basis (as set out in the Strategic and Directors' Report).

The Company has adopted the new accounting pronouncements which became effective this year, none of which had any material impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 31 December in each year. In fiscal year 2017, this date was 31 December 2017, this being a 53 week year (fiscal year 2016: 25 December 2016, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 31 December. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company

b) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling rounded to the nearest thousand. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the initial transaction. Gains and losses on retranslation of monetary assets and liabilities are included net in the profit or loss for the year.

c) Property, plant and equipment ("PPE")

Owned assets

PPE is stated at cost, net of accumulated depreciation and any impairment losses, other than those that are classified as held for sale, which are stated at the lower of carrying amount and fair value less costs to sell.

When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

Notes to the Financial Statements

1. Accounting policies (continued)

Depreciation

Depreciation is provided to write-off the cost, less estimated residual value, of property, plant and equipment on a straight-line basis over its estimated useful life. Assets that are not yet available for use are not depreciated.

Principal useful economic lives used for this purpose are:

Motor vehicles	3-4 years
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d) Intangible assets

Intangible assets acquired by the Company are stated at cost, less accumulated amortisation and any impairment losses, and amortised on a straight line basis over the initial rider contract.

e) Value in kind assets

Value in kind assets are recognised in accordance with the revenue accounting policy. Initial revenue recognition is based on management's judgement that all value in kind, as detailed within the sponsorship agreements, will be fully utilised within the terms of the agreements.

The fair value of the respective value in kind is determined as the price the Company would have paid for the comparable goods and services, net of VAT.

f) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method. Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Statement of Comprehensive Income.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents where offset conditions are met.

Notes to the Financial Statements

1. Accounting policies (continued)

i) Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

j) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets, to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment to goodwill is not reversed.

k) Revenue recognition

Revenue, which excludes value added tax, represents the inflow of economic benefit from the Company's sponsorship agreements.

The amount of title sponsorship revenue the Company recognises in respect to its agreements with Sky UK, Sky Italia and 21st Century Fox is limited to the recoverable expenses of the Company, net of any performance sponsorship or other income, including any value in kind sponsorship received.

l) Taxation, including deferred taxation

The Company's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying

Notes to the Financial Statements

1. Accounting policies (continued)

l) Taxation, including deferred taxation (continued)

amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Statement of Comprehensive

Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

m) Critical accounting judgements and key sources of estimation uncertainty

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if its selection or application materially affects the Company's financial position or results. The Directors are required to use their judgement in order to select and apply the Company's critical accounting policies. Below is a summary of the Company's critical accounting policies and details of the key areas of judgement that are exercised in their application.

Critical accounting policies and judgements

There are no critical accounting policies and judgements where there is expected to be a material change in the next 12 months.

Key Source of Estimation uncertainty

There are no sources of estimation uncertainty where there is expected to be a material change in the next 12 months.

n) Accounting standards, interpretations and amendments to published standards not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 January 2018 or later periods. These new pronouncements are listed below:

- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018)

IFRS 15 requires the identification of deliverables in contracts with customers that qualify as 'performance obligations.' The transaction price receivable from customers must be allocated between the Group's performance obligations under contracts on a relative stand-alone selling price basis. Where goods or services sold as part of a bundle are concluded to be 'distinct' performance obligations, revenue allocated to such goods is recognised when control of the goods passes to the customer or as the service is delivered. IFRS 15 requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised as revenue is recognised under the related contract.

The Company considers there will be no material impact that will arise under IFRS 15.

Notes to the Financial Statements

- IFRS 9 “Financial Instruments” (effective 1 January 2018), and is effective on the company from 1 July 2018 onwards.

The standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures. It introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised. It also introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

The Company considers there will be no material impact that will arise under IFRS 9.

- IFRS 16 “Leases” (effective 1 January 2019)
- Amendments to IFRS 2 ‘Share-based Payments’ (effective 1 January 2018)
- IFRIC 22 ‘Foreign Currency Transactions and Advanced Consideration’ (effective 1 January 2018)
- Amendments to IFRS 4 ‘Insurance contracts’ (effective 1 January 2018)
- Amendments to IAS 40 ‘Investment Properties’ (effective 1 January 2018)
- IFRS 17 ‘Insurance Contracts’ (effective 1 January 2021)*
- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019)*
- Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’ – Long term interests (effective 1 January 2019)*
- Annual Improvements to IFRS Standards 2015-2017 (effective 1 January 2019)*
- Amendments to IAS 19 ‘Employee Benefits’ – Plan amendment, Curtailment or Settlement (effective 1 January 2019)*
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2019)*
- Prepayment Features with Negative Compensation -Amendments to IFRS 9 (effective 1 January 2019)*

* not yet endorsed for use in the EU "

Notes to the Financial Statements

2. Revenue

	2017	2016
	£'000	£'000
Title sponsor revenue	25,326	23,456
Performance sponsorship and other income	6,704	5,487
Value in Kind	2,466	2,141
	<u>34,496</u>	<u>31,084</u>

Revenue from title sponsorship was derived from Sky UK, Sky Italia and 21st Century Fox. Title sponsorship revenue recognised, is limited to the recoverable expenditure, net of any performance sponsorship and other income.

3. Profit before taxation

Profit before taxation is stated after charging:

	2017	2016
	£'000	£'000
Depreciation of property, plant and equipment	68	62
	<u>68</u>	<u>62</u>

Audit fees

Amounts paid to the auditors for audit services of £30,000 (2016: £30,000) were paid by another Sky Group subsidiary in 2017 and 2016. No amounts for other services have been paid to the auditor (2016: nil).

Foreign exchange

Foreign exchange differences recognised in the Statement of Comprehensive Income during the year amounted to a gain of £108,000 (2016: gain of £27,000).

Notes to the Financial Statements

4. Taxation

a) Taxation recognised in the statement of comprehensive income

	2017	2016
	£'000	£'000
Current tax expense		
Current year UK tax	26	29
Current year overseas tax	23	11
Prior year adjustment	6	3
	<hr/>	<hr/>
Total current tax	55	43
	<hr/>	<hr/>
Deferred tax credit		
Origination and reversal of temporary differences	(16)	(8)
Prior year adjustment	-	-
	<hr/>	<hr/>
Total deferred tax	(16)	(8)
	<hr/>	<hr/>
Total tax Charge	39	35
	<hr/> <hr/>	<hr/> <hr/>

The tax expense for the year is lower (2016: lower) than the expense that would have been charged using the blended rate of corporation tax in the UK of 19.25% (2016: 20%) applied to profit before tax. The differences are explained below:

b) Reconciliation of total tax charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017	2016
	£'000	£'000
Profit before tax	39	35
Profit before tax multiplied by standard blended rate of corporation tax in the UK of 19.25% (2016: 20.00%)	7	7
	<hr/>	<hr/>
Effects of:		
Other permanent differences	3	8
Overseas tax	23	11
Double tax relief	(2)	-
Prior year adjustments	6	3
Disposal of fixed assets	-	-
Change in tax rate	2	6
	<hr/>	<hr/>
Taxation	39	35
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

5. Deferred tax asset

	Fixed asset timing differences £'000
At 1 January 2016	153
Credit to the statement of comprehensive income	8
At 31 December 2016	161
Credit to the statement of comprehensive income	16
At 31 December 2017	177

Deferred tax assets have been recognised at 31 December 2017 (and 31 December 2016) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal are 19% from 1st of April 2017 and 17% from 1st of April 2020 in the UK (2016: 20%).

6. Employee benefits and Directors emoluments

	2017 £'000	2016 £'000
Wages and salaries	2,853	1,744
Social Security	394	241
Contributions to the Sky Pension Plan	182	84
Total employee benefits	3,429	2,069

Aggregate emoluments paid to a single Director for the year to 31 December 2017 was £90,000 (2016: nil).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 44 (2016: 33).

Notes to the Financial Statements

7. Intangible fixed assets

	Rider Transfer Payments £'000
Cost	
At 1 January 2016	159
Additions	-
Disposals	(115)
At 31 December 2016	<u>44</u>
Additions	-
Disposals	-
At 31 December 2017	<u>44</u>
Amortisation	
At 1 January 2016	159
Amortisation	-
Disposals	(115)
At 31 December 2016	<u>44</u>
Amortisation	-
Disposals	-
At 31 December 2017	<u>44</u>

All intangible assets relate to rider transfer payments which are amortised over the term of each rider's initial contract.

The estimated future amortisation charge on finite-lived intangible assets for each of the next two years is set out below. It is likely that amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2017 £'000	2018 £'000
Estimated amortisation charge	<u>-</u>	<u>-</u>

Notes to the Financial Statements

8. Property, plant and equipment

	Motor Vehicles £'000
Cost	
At 1 January 2016	2,096
Additions	39
Disposals	(51)
At 31 December 2016	<u>2,084</u>
Additions	106
At 31 December 2017	<u>2,190</u>
Depreciation	
At 1 January 2016	1,941
Depreciation	62
Disposals	(51)
At 31 December 2016	<u>1,952</u>
Depreciation	68
At 31 December 2017	<u>2,020</u>
Carrying value	
At 1 January 2016	155
At 31 December 2016	<u>132</u>
At 31 December 2017	<u>170</u>

Notes to the Financial Statements

9. Trade and other receivables

	2017	2016
	£'000	£'000
Gross trade receivables	251	440
Less: provision for impairment of receivables	-	-
Net trade receivables	251	440
Amounts receivable from ultimate parent company	201	306
Amounts receivable from other related parties	-	-
Accrued Income	2,654	1,650
Prepayments	692	110
	3,798	2,506

Amounts receivable from ultimate parent company are non-interest bearing and are payable on demand.

Amounts receivable from other related parties are discussed further in note 15.

The Directors consider that the carrying amount of trade and other receivables approximates fair value.

The ageing of the Company's net trade receivables past due or subject to impairment is as follows:

	2017	2016
	£'000	£'000
Current	25	45
Thirty to sixty days past due date	-	393
Sixty to ninety days past due date	209	-
Ninety to 120 days past due date	-	2
More than 120 days past due date	17	-
	251	440

10. Trade and other payables

	2017	2016
	£'000	£'000
Trade payables	1,031	636
Accruals	1,938	966
VAT and withholding tax payable	11	134
	2,980	1,736

The Directors consider that the carrying amount of trade and other payables approximates fair value.

Notes to the Financial Statements

11. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade payables. The Company's principal financial assets comprise trade receivables and cash.

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 31 December 2016				
Trade and other payables	-	(1,736)	(1,736)	(1,736)
Trade and other receivables	2,396	-	2,396	2,396
Cash and cash equivalents	1,681	-	1,681	1,681
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017				
Trade and other payables	-	(2,980)	(2,980)	(2,980)
Trade and other receivables	3,106	-	3,106	3,106
Cash and cash equivalents	1,672	-	1,672	1,672
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Directors believe the carrying value of financial assets and liabilities approximates their fair values.

Liquidity risk

The Company's financial liabilities are shown in note 10. With access to funding under the Company's title sponsorship arrangements, the Directors believe that liquidity risk is negligible.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 31 December 2016				
Trade and other payables	1,736	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,736	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017				
Trade and other payables	2,980	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,980	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Foreign exchange risk

Due to sponsorship arrangement whereby Tour Racing Limited can elect to receive funding from the title sponsors in Euro or Sterling, exposure of the Company's profit to any fluctuations on the FX rate between pounds sterling and the Euro is mitigated by managing shareholder funding currency to maximise the natural hedge of funding and payments in the same currency.

Notes to the Financial Statements

11. Financial risk management objectives and policies (continued)

Capital risk management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings.

Risk and treasury management is governed by Sky plc's policies approved by its Board of Directors.

12. Provisions

	2017	2016
	£'000	£'000
At 1 January	2,758	-
Provided for in the year	50	2,758
At 31 December	2,808	2,758

At 31st December 2016, the company recognised a provision of £2.8m in relation to a change in accounting estimate for staff and rider costs for which we continue to consider economic outflow to be probable and the timing of this settlement remains uncertain. An equal amount of Title Sponsorship Revenue was recognised in the previous year as the amount will be reimbursed by the Title Sponsors. In 2017, we have also provided for additional interest in relation to the original provision.

13. Share capital

	2017	2016
	£'000	£'000
Authorised		
1,000,000 (2016: 1,000,000) ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid		
100 (2016: 100) ordinary shares of £1 each	-	-

From 1 January 2010, Sky Italia and 21st Century Fox have agreed to fund 25% and 15% respectively, of the £40m initial sponsorship commitment to the Company for the period up to 31 December 2013. A further €9.4m was agreed for utilisation during the year to 31 December 2013. In 2009, the Company issued 25 shares to Sky Italia and 15 shares to 21st Century Fox, with Sky retaining the remaining issued capital being 60 shares.

On 1 July 2013, Sky Italia disposed of its entire shareholding to 21st Century Fox, which resulted in Sky holding a 60% and 21st Century Fox holding a 40% stake.

On 12 June 2015, Sky acquired additional shareholding of 25% from 21st Century Fox, which results in Sky now holding an 85% stake in the Company and 21st Century Fox holding a 15% stake in the Company.

Notes to the Financial Statements

All shares are being held with the same terms and voting rights. Sky controlled the Company over the year and the Company was recognised as a subsidiary of the the Group.

14. Notes to the Cash Flow Statement

Reconciliation of profit before taxation to cash generated by / (used in) operations

	2017 £'000	2016 £'000
Profit before tax	39	35
Depreciation of property, plant and equipment	68	62
	<u>107</u>	<u>97</u>
(Increase) / decrease in trade and other receivables	(1,292)	(1,959)
Increase / (Decrease) in trade and other payables	1,244	(1,047)
Increase in provisions	50	2,758
Cash generated by / (used in) operations	<u>109</u>	<u>(151)</u>

15. Transactions with related parties

Transactions with Group companies

During the year, title sponsorship was received from Sky plc Group and 21st Century Fox who are also related parties of the Company, as detailed below:

	2017 £'000	2016 £'000
Title sponsorship income recognised		
Sky plc Group	21,527	20,933
21st Century Fox	3,799	2,523
	<u>25,326</u>	<u>23,456</u>

Title Sponsorship accrued income

	2017 £'000	2016 £'000
Sky plc Group	2,199	1,340
21st Century Fox	388	161
	<u>2,587</u>	<u>1,501</u>

At 31 December 2017, the Company was owed £201,000 and £nil from Sky plc Group and 21st Century Fox respectively (2016: £306,000 and £nil from Sky plc Group and 21st Century Fox respectively).

Notes to the Financial Statements

16. Ultimate parent undertaking

The Company is a partially-owned subsidiary undertaking of Sky UK Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by Sky plc. The only group in which the results of the Company are consolidated is that headed by Sky plc.

The consolidated accounts of the Group are available to the public and may be obtained from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex, TW7 5QD.