

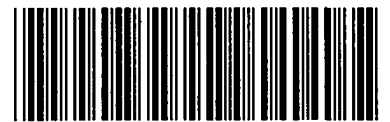
# TOUR RACING LIMITED

Annual report and financial statements

31 December 2014

Company Registration No. 04078205

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# Tour Racing Limited

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## Directors and Officers

For the year ending 31 December 2014

### **Directors**

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

A J Griffith (resigned 11 June 2015)  
R J Tansey (resigned 11 June 2015)  
M R Anderson (resigned 11 June 2015)  
K Holmes (resigned 11 June 2015)  
G J McWilliam  
D J Ward (appointed 11 June 2015)  
R Kingston (appointed 11 June 2015)

### **Secretary**

L Knight (resigned 11 June 2015)  
C J Taylor (appointed 11 June 2015)

### **Registered Office**

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

### **Bankers**

Royal Bank of Scotland Plc  
Edinburgh St Andrew Square  
Edinburgh  
EH2 2YB

### **Auditor**

Deloitte LLP  
Chartered Accountants  
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 2014.

### **Strategic Report**

Tour Racing Limited promotes a Great Britain based professional cycling team which was set up to compete in the International Cycle Union's Pro Tour.

Tour Racing was initially a wholly owned subsidiary of Sky UK Limited ("Sky" (formerly known as British Sky Broadcasting Limited)). On 10 December 2009 the Company agreed with Sky Italia S.r.l ("Sky Italia") and 21st Century Fox Europe, Inc ("21st Century Fox") to partner with Sky in the title sponsorship of the Sky professional cycling team ("Team Sky").

Following this 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, though agreed to continue with its goal of sponsoring Tour Racing Limited. This resulted in Sky holding a 60% and 21<sup>st</sup> 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. In addition, each of Sky, 21st Century Fox and Sky Italia have entered into agreements with the Company to extend sponsorship participation to the Company to 31 December 2016.

All shares are being held with the same terms and voting rights. Sky controlled the Company at 31 December 2014 and the Company was recognised as a subsidiary of the Sky 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 back to back victories in the Tour de France, with Sir Bradley Wiggins winning in 2012 and Chris Froome in 2013.

Team Sky endured a more challenging season in 2014 with injuries to various riders, however, the team still managed to achieve 66 podium finishes, including 26 stage wins with overall victories in Tour of Oman, Omloop Het Nieuwsblad, Tour de Romandie, Settimana Coppi e Bartali and the Tour of California.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

### **Operating profit**

Audited financial statements for the year to 31 December 2014 are set out on pages 7 to 23. An operating profit of £55,000 was recorded for the year (2013: £20,000).

### **Balance Sheet**

The Balance Sheet shows that the Company's shareholders' equity position at the year end is £nil (2013: equity of £nil). The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: £nil).

### **Principal risks and uncertainties**

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

## Strategic report and Directors' report (continued)

### **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 2019 and an undrawn €484 million term loan which is due to expire on 25 July 2017. 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.

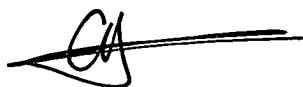
### **Credit risk**

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### **Operational risk**

The Company's exposure to operational risks such as 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



G J McWilliam  
Director  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD

19 June 2015

## Strategic report and Directors' report (continued)

### 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 (2013: £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, Sky Italia and 21<sup>st</sup> 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



G J McWilliam  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

19 June 2015

## 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 Limited

We have audited the financial statements of Tour Racing Limited for the year ended 31 December 2014 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 18. 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.

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

### Respective responsibilities of directors and auditor

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

### Scope of the audit of financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

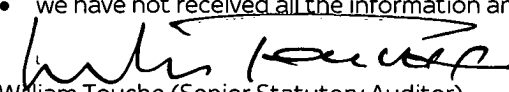
### Opinion on other matters prescribed by the Companies Act 2006

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

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

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

- adequate accounting records have not been kept, 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.

  
William Touche (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

19<sup>th</sup> June 2015



## Statement of Comprehensive Income

For the year ended 31 December 2014

|  | <b>Notes</b> | <b>2014<br/>£'000</b> | <b>2013<br/>£'000</b> |
|--|--------------|-----------------------|-----------------------|
| <b>Revenue</b>   | 2            | <b>24,479</b>         | 22,061                |
| Operating expense  | 3            | <b>(24,424)</b>       | (22,041)              |
| <b>Operating profit</b>  |              | <b>55</b>             | 20                    |
| <b>Profit before tax</b>   | 4            | <b>55</b>             | 20                    |
| Taxation   | 5            | <b>(55)</b>           | (20)                  |
| <b>Profit for the period attributable to equity shareholders</b> |              | <b>-</b>              | -                     |

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

For the years ended 31 December 2014 and 2013, 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 2014

|                            | <b>Share<br/>capital<br/>£'000</b> | <b>Retained<br/>earnings<br/>£'000</b> | <b>Total<br/>shareholders'<br/>equity(deficit)<br/>£'000</b> |
|----------------------------|------------------------------------|--|--|
| <b>At 1 January 2013</b>   | -                                  | -                                      | -  |
| Profit for the year        | -                                  | -                                      | -  |
| <b>At 31 December 2013</b> | -                                  | -                                      | -  |
| Profit for the year        | -                                  | -                                      | -  |
| <b>At 31 December 2014</b> | -                                  | -                                      | -  |

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

## Balance Sheet

As at 31 December 2014

|   | Notes | 2014<br>£'000       | 2013<br>£'000       |
|---|-------|---------------------|---------------------|
| <b>Non-current assets</b>                         |       |                     |                     |
| Intangible assets                                 | 8     | -                   | 18                  |
| Property, plant and equipment                     | 9     | 26                  | 10                  |
|   |       | <u>26</u>           | <u>28</u>           |
| <b>Current assets</b>                             |       |                     |                     |
| Trade and other receivables                       | 10    | 744                 | 1,821               |
| Cash and cash equivalents                         |       | 944                 | 625                 |
| Deferred tax asset                                | 6     | 136                 | 164                 |
|   |       | <u>1,850</u>        | <u>2,638</u>        |
| <b>Total assets</b>                               |       |                     |                     |
|   |       | <b>1,850</b>        | <b>2,638</b>        |
| <b>Current liabilities</b>                        |       |                     |                     |
| Trade and other payables                          | 11    | 1,827               | 2,589               |
| Current tax liability                             |       | 23                  | 49                  |
|   |       | <u>1,850</u>        | <u>2,638</u>        |
| <b>Total liabilities</b>                          |       |                     |                     |
|   |       | <b>1,850</b>        | <b>2,638</b>        |
| Share capital                                     | 14    | -                   | -                   |
| Reserves  |       | -                   | -                   |
|   |       | <u>-</u>            | <u>-</u>            |
| <b>Shareholders' equity</b>                       |       |                     |                     |
|   |       | <b>-</b>            | <b>-</b>            |
| <b>Total liabilities and shareholders' equity</b> |       |                     |                     |
|   |       | <u><b>1,850</b></u> | <u><b>2,638</b></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 11 June 2015.

Signed on behalf of the Board of Directors



G J McWilliam  
Director

Cash Flow Statement  
Year ended 31 December 2014

|   | Note | 2014<br>£'000 | 2013<br>£'000 |
|---|------|---------------|---------------|
| <b>Cash flows generated/(used in) operating activities</b>    |      |               |               |
| Cash generated/(used in) operations                           | 15   | 406           | (250)         |
| Tax paid  |      | (53)          | (122)         |
| <b>Net cash generated/(used in) from operating activities</b> |      | <b>353</b>    | <b>(372)</b>  |
| <b>Cash flows (used in)/from investing activities</b>         |      |               |               |
| Proceeds from disposal of property, plant and equipment       |      | -             | 39            |
| Purchase of intangible assets                                 |      | -             | (36)          |
| Purchase of property, plant and equipment                     |      | (34)          | -             |
| <b>Net cash (used in)/from investing activities</b>           |      | <b>(34)</b>   | <b>3</b>      |
| <b>Cash flows from financing activities</b>                   |      |               |               |
|   |      | -             | -             |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |      | <b>319</b>    | <b>(369)</b>  |
| <b>Cash and cash equivalents at the beginning of the year</b> |      | <b>625</b>    | <b>994</b>    |
| <b>Cash and cash equivalents at the end of the year</b>       |      | <b>944</b>    | <b>625</b>    |

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 limited liability company incorporated in the United Kingdom 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 significant 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 2014, this date was 28 December 2014, this being a 52 week year (fiscal year 2013: 29 December 2013, 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. 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) Intangible assets

The transfer fees associated with the acquisition of riders are capitalised as intangible fixed assets. These costs are fully amortised in equal instalments over the period of the riders' initial contracts. These transfer payments are tested for impairment when there is an indicator of impairment and written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Research expenditure is recognised in operating expenses in the Statement of Comprehensive Income as the expenditure is incurred.

#### d) Property, plant and equipment ("PPE")

##### Owned assets

PPE are 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### d) Property, plant and equipment ("PPE") (continued)

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

#### 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 |
|----------------|-----------|

#### 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, Sky Italia and 21<sup>st</sup> 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.

Performance sponsorship revenue is recognised on a straight-line basis over the period of the performance sponsorship agreement.

#### **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

## Notes to the financial statements

### **1. Accounting policies (continued)**

#### **l) Taxation, including deferred taxation (continued)**

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 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 policies**

Critical accounting policies are those that require significant judgement or estimates and potentially result in material different results under different assumptions or conditions.

#### **Revenue**

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration received and an estimation of the percentage completion of services provided. The amount of title sponsorship revenue the Company recognises in respect to its agreements with Sky, Sky Italia and 21<sup>st</sup> Century Fox is limited to the recoverable expenses of the Company, net of any performance sponsorship or other income.

#### **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 2015 or later periods. These new pronouncements are listed below:

- Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” (effective 1 January 2016)\*
- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation” (effective 1 January 2016)\*
- IFRS 15 “Revenue from Contracts with Customers” (effective 1 January 2017)\*
- IFRS 9 “Financial Instruments” (effective 1 January 2018)\*

\* not yet endorsed for use in the EU

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.



## Notes to the financial statements

### 2. Revenue

|                                 | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------------|---------------|---------------|
| Title sponsor revenue           | 15,457        | 14,594        |
| Performance sponsorship revenue | 5,841         | 5,850         |
| Race fees and other income      | 3,181         | 1,617         |
|                                 | <u>24,479</u> | <u>22,061</u> |

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

### 3. Operating expense

|                                       | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------------------|---------------|---------------|
| Staff and rider remuneration          | 18,223        | 15,630        |
| Race costs (travel and accommodation) | 1,778         | 1,510         |
| Bike and performance equipment        | 2,291         | 2,112         |
| Sports science and medical            | 222           | 203           |
| Vehicle running costs                 | 283           | 263           |
| Registrations                         | 66            | 62            |
| Research                              | 83            | 67            |
| Office expenses                       | 585           | 456           |
| PR and marketing                      | 778           | 923           |
| Legal and professional fees           | 403           | 257           |
| Depreciation                          | 18            | 493           |
| Foreign exchange revaluation          | (306)         | 65            |
|                                       | <u>24,424</u> | <u>22,041</u> |

### 4. Profit before taxation

Profit before taxation is stated after charging:

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Depreciation of property, plant and equipment | 18            | 493           |
| Amortisation of intangible assets             | 18            | 655           |

#### Audit fees

Amounts paid to the auditors for audit services of £20,000 (2013: £20,000) were paid by another Group subsidiary in 2014 and 2013. No amounts for other services have been paid to the auditor (2013: nil).

#### Foreign exchange

Foreign exchange differences recognised in the Statement of Comprehensive Income during the year amounted to a gain of £306,000 (2013: loss of £65,000).

## Notes to the financial statements

### 5. Taxation

#### a) Taxation recognised in the statement of comprehensive income

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| <b>Current tax expense</b>                        |               |               |
| Current year UK tax                               | (4)           | 90            |
| Current year overseas tax                         | 21            | 7             |
| Prior year adjustment                             | 10            | 2             |
|   | <u>27</u>     | <u>99</u>     |
| <b>Deferred tax credit</b>                        |               |               |
| Origination and reversal of temporary differences | 28            | (79)          |
| Prior year adjustment                             |               | -             |
|   | <u>28</u>     | <u>(79)</u>   |
| <b>Taxation</b>                                   | <u>55</u>     | <u>20</u>     |

#### b) Reconciliation of total tax charge

The tax expense for the year is higher (2013: higher) than the blended rate of corporation tax in the UK (21.49%) applied to profit before tax. The differences are explained below:

|   | 2014<br>£'000     | 2013<br>£'000     |
|---|-------------------|-------------------|
| Profit before tax   | 55                | 20                |
| Profit before tax multiplied by standard blended rate of corporation tax in the UK of 21.49% (2013: 23.25%) | 12                | 5                 |
|   | <u>          </u> | <u>          </u> |
| Effects of:   |                   |                   |
| Other permanent differences   | 19                | -                 |
| Overseas tax  | 21                | 7                 |
| Double tax relief   | (13)              | (5)               |
| Prior year adjustments  | 10                | 2                 |
| Disposal of fixed assets  | -                 | (9)               |
| Change in tax rate  | 6                 | 20                |
| <b>Taxation</b>   | <u>55</u>         | <u>20</u>         |

## Notes to the financial statements

### 6. Deferred tax asset (liability)

|   | <b>Fixed asset<br/>timing<br/>differences<br/>£'000</b> |
|---|---|
| At 1 January 2013                               | 85  |
| Credit to the statement of comprehensive income | 79  |
| At 31 December 2013                             | 164   |
| Charge to the statement of comprehensive income | (28)  |
| At 31 December 2014                             | <u><u>136</u></u>                                       |

There are no unrecognised deferred tax liabilities.

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 is 20% as at December 2014 (2013: 21%).

### 7. Employee benefits and key management compensation

Employee benefits for the Company during the year.

|                                       | <b>2014<br/>£'000</b> | <b>2013<br/>£'000</b> |
|---------------------------------------|-----------------------|-----------------------|
| Wages and salaries                    | 1,449                 | 524                   |
| Contributions to the Sky Pension Plan | 39                    | -                     |
| Wages and salaries                    | <u><u>1,488</u></u>   | <u><u>524</u></u>     |

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 20 (2013: 12).

Other remuneration costs included in the staff and rider costs are related to contractors.

The Directors did not receive any remuneration during the year in respect of their services to the Company.

## Notes to the financial statements

### 8. Intangible fixed assets

|                            | <b>Rider<br/>Transfer<br/>Payments<br/>£'000</b> |
|----------------------------|--|
| <b>Cost</b>                |  |
| At 1 January 2013          | 3,092  |
| Additions                  | 36   |
| At 31 December 2013        | <u>3,128</u>                                     |
| Additions                  | -  |
| <b>At 31 December 2014</b> | <b><u>3,128</u></b>                              |
| <b>Amortisation</b>        |  |
| At 1 January 2013          | 2,455  |
| Amortisation               | 655  |
| At 31 December 2013        | <u>3,110</u>                                     |
| Amortisation               | 18   |
| <b>At 31 December 2014</b> | <b><u>3,128</u></b>                              |
| <b>Carrying value</b>      |  |
| At 1 January 2013          | 637  |
| At 31 December 2013        | 18   |
| <b>At 31 December 2014</b> | <b><u>-</u></b>                                  |

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.

|                               | <b>2015<br/>£'000</b> | <b>2016<br/>£'000</b> |
|-------------------------------|-----------------------|-----------------------|
| Estimated amortisation charge | <u>-</u>              | <u>-</u>              |

## Notes to the financial statements

### 9. Property, plant and equipment

|                            | <b>Motor<br/>Vehicles<br/>£'000</b> |
|----------------------------|-------------------------------------|
| <b>Cost</b>                |                                     |
| At 1 January 2013          | 2,119                               |
| Disposals                  | (193)                               |
| At 31 December 2013        | <u>1,926</u>                        |
| Additions                  | 34                                  |
| Disposals                  | (21)                                |
| <b>At 31 December 2014</b> | <b><u>1,939</u></b>                 |
| <b>Depreciation</b>        |                                     |
| At 1 January 2013          | 1,578                               |
| Depreciation               | 493                                 |
| Disposals                  | (155)                               |
| At 31 December 2013        | <u>1,916</u>                        |
| Depreciation               | 18                                  |
| Disposals                  | (21)                                |
| <b>At 31 December 2014</b> | <b><u>1,913</u></b>                 |
| <b>Carrying value</b>      |                                     |
| At 1 January 2013          | 541                                 |
| At 31 December 2013        | <u>10</u>                           |
| <b>At 31 December 2014</b> | <b><u>26</u></b>                    |

## Notes to the financial statements

### 10. Trade and other receivables

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| <b>Gross trade receivables</b>                  | <b>12</b>     | 96            |
| Less: provision for impairment of receivables   | -             | -             |
| <b>Net trade receivables</b>                    | <b>12</b>     | 96            |
| Amounts receivable from ultimate parent company | <b>343</b>    | 1,175         |
| Amounts receivable from other related parties   | <b>108</b>    | 406           |
| Amount receivable from other parties            | <b>210</b>    | 100           |
| Prepayments                                     | <b>71</b>     | 44            |
|   | <b>744</b>    | 1,821         |

Prepayments principally comprise £61,000 of UCI registration fees and £5,500 of security fees for fuel cards.

Amounts receivable from ultimate parent company are non-interest bearing and are repayable on demand. Amounts receivable from other related parties are discussed further in note 16.

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:

|                                    | 2014<br>£'000 | 2013<br>£'000 |
|------------------------------------|---------------|---------------|
| Current                            | 7             | 40            |
| Thirty to sixty days past due date | 2             | 1             |
| Sixty to ninety days past due date | 1             | 15            |
| Ninety to 120 days past due date   | 2             | 40            |
| More than 120 days past due date   | -             | -             |
|                                    | <b>12</b>     | 96            |

### 11. Trade and other payables

|                                 | 2014<br>£'000 | 2013<br>£'000 |
|---------------------------------|---------------|---------------|
| Trade payables                  | <b>172</b>    | 560           |
| Accruals                        | <b>710</b>    | 1,376         |
| Deferred income                 | <b>934</b>    | 639           |
| VAT and withholding tax payable | <b>11</b>     | 14            |
|                                 | <b>1,827</b>  | 2,589         |

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

Deferred income from related parties is discussed further in note 16.

## Notes to the financial statements

### 12. 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<br>receivables<br>£'000 | Other<br>liabilities<br>£'000 | Total<br>carrying<br>value<br>£'000 | Total fair<br>values<br>£'000 |
|-----------------------------|-----------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| <b>At 31 December 2013</b>  |                                   |                               |                                     |                               |
| Trade and other payables    | -                                 | (1,936)                       | (1,936)                             | (1,936)                       |
| Trade and other receivables | 1,777                             | -                             | 1,777                               | 1,777                         |
| Cash and cash equivalents   | 625                               | -                             | 625                                 | 625                           |
|                             | <u>          </u>                 | <u>          </u>             | <u>          </u>                   | <u>          </u>             |
| <b>At 31 December 2014</b>  |                                   |                               |                                     |                               |
| Trade and other payables    | -                                 | (882)                         | (882)                               | (882)                         |
| Trade and other receivables | 673                               | -                             | 673                                 | 673                           |
| Cash and cash equivalents   | 944                               | -                             | 944                                 | 944                           |
|                             | <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 11. 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<br>12 months<br>£'000 | Between<br>one and<br>two years<br>£'000 | Between<br>two and<br>five years<br>£'000 | More than<br>five years<br>£'000 |
|----------------------------|---------------------------------|--|---|----------------------------------|
| <b>At 31 December 2013</b> |                                 |  |   |                                  |
| Trade and other payables   | 1,936                           | -  | -   | -                                |
|                            | <u>          </u>               | <u>          </u>                        | <u>          </u>                         | <u>          </u>                |
|                            | 1,936                           | -  | -   | -                                |
|                            | <u>          </u>               | <u>          </u>                        | <u>          </u>                         | <u>          </u>                |
| <b>At 31 December 2014</b> |                                 |  |   |                                  |
| Trade and other payables   | 882                             | -  | -   | -                                |
|                            | <u>          </u>               | <u>          </u>                        | <u>          </u>                         | <u>          </u>                |
|                            | 882                             | -  | -   | -                                |
|                            | <u>          </u>               | <u>          </u>                        | <u>          </u>                         | <u>          </u>                |

### 13. Financial risk management objectives and policies

#### 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

### 13. 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.

### 14. Share capital

|  | 2014<br>£'000 | 2013<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>                                      |               |               |
| 1,000,000 (2013: 1,000,000) ordinary shares of £1 each | <u>1,000</u>  | <u>1,000</u>  |
| <b>Allotted, called-up and fully paid</b>              |               |               |
| 100 (2013: 100) ordinary shares of £1 each             | <u>-</u>      | <u>-</u>      |

From 1 January 2010, Sky Italia and 21<sup>st</sup> Century Fox have agreed to fund 25% and 15% respectively, of the £40m sponsorship commitment to the Company. 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 21<sup>st</sup> Century Fox, with Sky retaining the remaining issued capital being 60 shares.

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

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

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 Sky Group.

### 15. Notes to the Cash Flow Statement

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

|   | 2014<br>£'000 | 2013<br>£'000 |
|---|---------------|---------------|
| Profit before tax                                   | 55            | 20            |
| Profit on disposals                                 | -             | (1)           |
| Depreciation of property, plant and equipment       | 18            | 493           |
| Amortisation of intangible assets                   | 18            | 655           |
|   | <u>91</u>     | <u>1,167</u>  |
| Decrease /(increase) in trade and other receivables | 1,077         | (162)         |
| Decrease in trade and other payables                | (762)         | (1,255)       |
| <b>Cash generated/(used in) operations</b>          | <u>406</u>    | <u>(250)</u>  |



## Notes to the financial statements

### 16. Transactions with related parties

#### Transactions with Group companies

During the year, title sponsorship was received from Sky, the parent company along with title sponsorship from Sky Italia and 21<sup>st</sup> Century Fox who are also related parties of the Company, as detailed below:

|  | 2014          | 2013          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Title sponsorship income recognised</b> |               |               |
| Sky  | 7,728         | 8,757         |
| Sky Italia                                 | 2,319         | 3,648         |
| 21 <sup>st</sup> Century Fox               | 5,410         | 2,189         |
|  | <u>15,457</u> | <u>14,594</u> |
| <br>                                       |               |               |
| <b>Title Sponsorship deferred income</b>   |               |               |
|  | 2014          | 2013          |
|  | £'000         | £'000         |
| Sky  | 83            | 639           |
| Sky Italia                                 | 25            | -             |
| 21 <sup>st</sup> Century Fox               | 57            | -             |
|  | <u>165</u>    | <u>639</u>    |

At 31 December 2014, the Company was owed £177,000, £67,000 and £41,000 from Sky, 21<sup>st</sup> Century Fox and Sky Italia respectively (2013: £1,175,000, £254,000 and £152,000 from Sky, Sky Italia and 21<sup>st</sup> Century Fox respectively).

### 17. 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.

### 18. Post balance sheet event

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