



The British Tennis Annual

2010

FINANCE AND GOVERNANCE

The Lawn Tennis Association 2010

Produced in conjunction with the British Tennis Annual
2010 available at: www.LTA.org.uk/Annual

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British Tennis Review of the Year

The financial statements and annual reports reflect the results of the Lawn Tennis Association (“LTA”) Group, comprising the LTA and its direct operating subsidiaries. The LTA works closely with The Tennis Foundation (“TF”) who delivers much into charitable activities around the development of tennis. Consequently, within this trading review, to present combined investment into British tennis by both parties, results are shown which includes joint LTA and TF activities. As this presentation does not reflect the legal structure or independence of the TF their results are excluded from the LTA group’s results shown in the detailed financial statements. It is the view of the LTA that highlighting the TF’s results within the gross income and expenditure better reflects the overall activity levels and investment within British tennis.

This Finance and Governance Report which incorporates the Financial Statements should be read in conjunction with The Annual which gives further details on key elements of the LTA’s activities and progress against key measures.

Business review and strategy

The Blueprint for British Tennis, published in October 2006, sets out the vision, direction and plans for the future of the sport in Britain. The key elements of the Blueprint remain in place with a clear drive to establish a winning framework within British tennis whilst growing the sport at all levels by retaining and attracting new people to the sport. The Board review the strategy and the key measures to assess the performance of the business on a regular basis and not less than annually. The strategy and operating priorities for the next financial year are consistent with the achievement of the long-term goals and objectives and build on the progress made to date.

During the financial year, the principal focus of the LTA has remained unchanged and continues to concentrate on the delivery of the objectives laid down in the Blueprint. The organisation’s activities focus on two key strands which are;

- to promote and increase the number of people participating in the sport at all levels; and
- to provide the framework, resources and infrastructure to deliver success in the performance side of the sport.

Progress is assessed and measured via the LTA’s key measures of success – two of which focus on participation and growth and two of which focus on talent development and performance. The LTA’s key indicators and measures of success are;

1. Number of adults playing tennis each week
2. Number of regularly competing juniors
3. Number of juniors who meet the “A matrix” threshold based on their international rankings for their age group
4. Number of singles and doubles players in the top 100

Continued progress has been made in 2010 against these measures. All the measures have shown strong positive growth over the four year period since the Blueprint was published and in three out of the four measures there has been positive growth in the last 12 months.

The number of adults playing on a weekly basis (as measured by Sport England) grew from 493,500 to 506,700; the only one of the major five sports to show an annual growth over the last year. Tennis remains the

7th largest weekly participation sport as measured by Sport England (there is no corresponding data available for Scotland and Wales).

The number of juniors who compete regularly showed significant growth once again, increasing from 30,000 to 41,000 at the end of September 2010. Establishing this competitive framework and environment is essential in encouraging and retaining juniors and also adults within the sport. This measure has been identified as the key priority over the last four years resulting in the growth from 10,000 regularly competing juniors in 2007.

During 2010 the benchmark for talented junior players was raised. The target for “A matrix” players is set based on their international (ITF and Tennis Europe) rankings for their age. Substantial growth was achieved against these more challenging benchmarks, with the number of juniors reaching the “A matrix” threshold totalling 31 at the end of the year. This compared to 26 the previous year and is up from 18 in 2007.

The target for Top 100 players was set at eight for the year with three singles players and five doubles players. At 30 September 2010 there were two singles players and four doubles players in the top 100, although this has since increased back to five players reaching the top 100 in doubles.

Group financial review

In line with the long term financial plan, approved by the Board and Council of the LTA at the time of the Blueprint and updated each year, the LTA is currently investing more in tennis on an annual basis than the revenue it generates. The LTA is fully committed to managing its activity and expenditure on a long-term sustainable basis and part of this relates to managing the utilisation of its reserves and operating expenditure within clearly defined guidelines. The Board and Council aim to maintain an amount equivalent to the annual Wimbledon surplus within available reserves to insulate the LTA against any unexpected significant external factors. In recent years the Board and Council have felt it is sensible and prudent financial management to utilise a proportion of these reserves to meet the current objectives and accelerate the development strategy.

The underlying financial results of the LTA group, before the impact of results from joint ventures, show the net operating deficit reduced to £1.1m from £5.7m in 2009. The year on year reduction of £4.6m is consistent with

the Board's long term planning and the main factors which contribute to this are an increase in LTA turnover of £3.0m combined with a reduction in expenditure of £1.6m.

In addition to the guidelines relating to operating expenditure the LTA Board and Council have also approved investment in capital facilities to be utilised against the facility projects reserve which has a balance of £6.4m at 30 September 2010 (2009: £6.6m). Total LTA and TF investment in new capital projects during 2010 was £5.2m (2009: £4.8m). During the year £3.9m was invested in projects from Sport England (2009: £1.7m), £0.2m was invested in capital projects via the projects reserve (2009: £1.5m) and £1.1m of new interest free loans were awarded to projects (2009: £1.6m). Grants and loans awarded by the LTA play a key role in making projects feasible but all projects funded by the LTA need to generate partnership funding alongside the LTA investment. It became clear in 2010 that the more limited availability of partnership funding locally, and lack of affordable finance, is impacting on the number of sustainable projects applying for funding. The impact of external and partnership funding constraints will continue to be closely monitored.

Turnover

There are a number of key revenue sources which fund the investment into British tennis. There are two key revenue definitions. The first of these is the combined income of the LTA and TF, which includes LTA turnover, investment income as well as TF external income. Donations from the LTA to the TF are excluded from combined income. The second key revenue definition is LTA group turnover which reflects the consolidated turnover of the LTA group in accordance with UK GAAP.

Significant progress has been made over the last three years in growing these revenue streams and providing certainty and visibility in relation to future revenue streams. The total combined income of the LTA and the TF has risen by £2.7m (5%) in comparison with 2009. The total combined income is now at its highest ever level and reflects the growth in the commercial programme at the LTA as well as the ongoing strength of The Championships, Wimbledon. LTA turnover has increased by £3.0m in 2010 to £53.6m, a positive result in a difficult environment.

Income

Total income generated by British tennis and LTA turnover is shown below.

Income Summary	2010	2009	Change	Change
	£000s	£000s	£000s	%
Direct operating income				
Net Championships' Surplus	31,002	29,170	1,832	6%
Commercial	7,651	7,095	556	8%
Events	8,669	7,475	1,194	16%
Sport England Revenue Grant Funding	3,368	3,843	(475)	(12%)
Other Income	4,633	4,397	236	5%
Donations	3,000	3,000	0	0%
	58,323	54,980	3,343	6%
Investment income				
Interest & Dividends	717	1,373	(656)	(48%)
	59,040	56,353	2,687	5%
Total combined income of LTA & TF				
Less Group reporting adjustments				
LTA Interest & Dividends	(564)	(1,160)	596	51%
TF Interest & Dividends	(153)	(213)	60	28%
TF Income	(4,741)	(4,424)	(317)	(7%)
	(5,458)	(5,797)	339	6%
Total LTA Group Turnover	53,582	50,556	3,026	6%

The All England Lawn Tennis Club ("The Club") and Committee of Management delivered another exceptional Championships, Wimbledon, which remains the premier tennis Grand Slam. A combination of favourable weather and exchange rates as well as underlying resilience and growth in the key revenue streams produced an excellent financial result. The surplus distributed to the LTA increased by £1.8m in

2010 to £31.0m. In May 2009 the LTA entered into a contract with The Club in respect of The Championships and the distribution of the surplus for the period to 2053. These terms and the conditional disposal of the LTA's investment in the All England Lawn Tennis Ground Plc ("The Ground Company") in 2013 to The Club secure this long term revenue source and enable the LTA to plan with long term certainty.

The commercial strategy and programme continues to grow with further blue chip partners working with the LTA during the year. The cornerstone of the commercial programme is the agreement with AEGON as the Lead Partner of the LTA and British tennis. Alongside AEGON, we are delighted to continue to work with Supporters BNP Paribas and Highland Spring, as well as suppliers, Intercontinental Hotel Group and Nike. During the year we also welcomed new partners Thomson Reuters and Babolat which contributed to the year on year growth.

The significant growth generated from Events was associated with the AEGON British Tennis Series (AEGON Championships, AEGON Classic and AEGON International) in the grass court season as well as the first year of the ATP World Tour Finals in November 2009. 2010 saw encouraging signs of recovery in the hospitality market for our events with good year on year growth.

Sport England grant revenue funding of £3.4m (2009: £3.8m) largely reflects the funding received under the first full year of the Whole Sport Plan funding. During 2009 the LTA entered into a four year agreement with Sport England under its Whole Sport Plan funding with effect from 1st April 2009. This secured up to £26.8m

of total revenue and capital funding. This funding is dependent on the achievement of certain objectives and measures and the capital funding is administered by the LTA as an agent on behalf of places to play based on actual capital projects. The LTA work closely with Sport England to meet these objectives and the revenue recognised in the year reflects the contracted level of funding. In addition to the revenue funding referred to above the LTA also received £3.85m from Sport England to invest directly in capital facility projects. Neither the income nor expenditure is recognised within the LTA's operating results given the funding conditions and the nature of the projects.

Other income includes items such as the reimbursement of tournament costs, fees, other grants and programme funding as well as affiliation fees.

Donations consist of amounts paid directly to the TF by external parties to be used for investing in growth and participation in the sport.

Investment income significantly reduced in 2010 to £0.7m (2009: £1.3m). This was expected due to the ongoing very low interest rates received on all cash deposits throughout 2010.

Expenditure

Expenditure within British tennis consists of investment in all aspects of the sport from increasing participation at grass roots to elite performance development. Given the nature of expenditure across numerous areas and the overlap within these areas there are a number of subjective assumptions inherent in apportioning expenditure between performance and growth.

Overall combined British tennis operating expenditure increased by £0.4m to £60.1m in 2010. The LTA expenditure following group reporting adjustments and eliminations reduced to £54.7m in 2010. The major adjustments include facility grants funded directly from the LTA project reserve and the elimination of TF direct net expenditure (excluding LTA donations as above).

The principal areas of expenditure and investment in British tennis across the combined LTA and TF and also the LTA Group are highlighted below.

LTA Expenditure in British Tennis	2010	2009	Change	Change
	£000s	£000s	£000s	%
Direct operating costs				
Developing and Supporting Talent	13,391	14,115	724	5%
Growth and Development of the Sport	13,749	13,379	(370)	(3%)
Competitions and Events	16,235	15,681	(554)	(4%)
Commercial	3,628	3,618	(10)	0%
Business Support	10,335	10,492	157	2%
Depreciation	2,780	2,420	(360)	(15%)
Total combined operating expenditure of LTA & TF	60,118	59,705	(413)	(1%)
LTA Group reporting adjustments				
LTA Facility Grants – Reserves	180	1,500	1,320	88%
Financial Statements Reclassifications	(547)	(308)	239	78%
External TF Expenditure	(5,053)	(4,655)	398	9%
	(5,420)	(3,463)	1,957	57%
Total LTA Group Operating Expenditure	54,698	56,242	1,544	3%

The expenditure on developing and supporting talent includes investment into the performance infrastructure of independent performance centres throughout the country, all aspects of junior talent identification and development, individual player funding (from juniors through to Team AEGON) and support and resources for the matrix-funded junior and senior players.

Growth and development of the sport encompasses the national field team working throughout the counties with volunteers and individuals involved in competitions, coaching, clubs and community facilities. Additional to this is direct investment supporting places to play as well as coach education and support. The final element within this category is the donation the LTA makes directly to the TF which funds development programmes in schools and disability tennis as well as broader community opportunities.

Competitions and events expenditure range from the grass roots competition structure to the pre-Wimbledon international major events delivered as part of the AEGON British Series. These major events underpin the grass court season and are vital preparation for The Championships, Wimbledon. Also included is expenditure on Davis Cup and investment in the Barclays ATP World Tour Finals at The O2.

Commercial expenditure supports the direct and indirect costs relating to the commercial delivery of the LTA's partnerships, and delivers a substantial return to British tennis.

Business support includes all aspects of resources and support to the direct investment in tennis including the costs relating to governance, head office and the NTC performance infrastructure costs as well as the support functions including legal, finance, IT and HR.

The LTA's partnership with the Tennis Foundation

The TF is the independent registered charity of British tennis (Charity number – 298175). The TF works to provide sustainable and inclusive tennis opportunities for all age groups across local authority tennis facilities, including parks, leisure centres and indoor facilities located on local authority land. The charitable objectives of the TF also extend to the whole of the education sector, and to disability development and performance. The TF is a key partner of the LTA in promoting tennis in Great Britain and a number of charitable activities are run in partnership. The TF utilises the specialist knowledge and resources of the LTA development field team to deliver some aspects of the TF's charitable activities. The LTA also provides a number of support, administrative and management services to the TF. All services and resources provided by the LTA to the TF are provided for and charged on an arm's length basis.

The LTA is a significant contributor to the TF and during the year the LTA donated £11.1m (2009 – £9.4m) to the TF. The TF also secures revenue and donations from other partners and supporters. Total TF revenue was £17.3m in 2010 (2009: £15.8m) and total TF expenditure on charitable activities was £18.6m in 2010 (2009: £15.8 m).

Reserves

The LTA is focused on the growth and widening of revenue streams to reduce the dependency on income from The Championships (which operates as a result of a joint arrangement between the All England Club and the LTA). Significant progress has been made on this since 2007 with combined LTA/ TF income increasing by £12.2m over this period. Of this increase, £8.5m has been driven by commercial/ events and £5.3m has been contributed by The Championships, partially offset by reductions in grant income from Sport England and investment income.

Despite this progress in diversifying income streams, The Championships, Wimbledon remains, by far, the biggest contributor to the LTA's revenue. This large single source of income heightens our risk profile, particularly as the tournament takes place towards the end of our financial year. As part of its risk management approach, the LTA manages its reserves policy as detailed above.

As well as historic reserves the LTA and its Board also closely reviews reserves and liquid assets, being cash and investments. At the balance sheet date, total cash balances are £23.0m (2009: £27.1m) and the LTA owns investments with a cost of £26.9m (2009: £23.8m). An investment strategy is in place to provide a financial return on these funds over the long term by maintaining a balanced and diversified portfolio with a medium risk profile over the longer term that is acceptable to the Investment Committee and the Board. Investments held in a foreign currency are hedged as far as possible to remove the exchange rate risk on those investments.

Corporate governance structure

The LTA is committed to managing and conducting its business and its corporate governance to plc standards and aims to be a leading and forward looking National Governing Body. The Board actively embraces the principles of good governance as set out in the Combined Code with particular regard to integrity and accountability but also with a view to ensuring value and return on its investment into tennis. The LTA has adopted certain principles associated with good governance and further information as to how these are applied is detailed below.

Structure

The LTA is an unincorporated association whose constitution is set out in the Rules of the LTA*. The stated objective of the LTA is to be the governing body of tennis in Great Britain, the Channel Islands and the Isle of Man with the general objective of advancing the interests of tennis and the LTA. Its membership consists of various bodies that have an interest in the development and promotion of tennis in Great Britain including the 38 English counties, Tennis Scotland, Tennis Wales, Channel Isles LTA, Isle of Man LTA, The All England Lawn Tennis Club and the Tennis Foundation.

During the year, the LTA has continued to review and enhance its corporate structures, details of which are available on the LTA website.

Council

The LTA Council is the democratic forum representing those bodies which are members to the LTA. Its composition and powers are governed by the Rules of the LTA*. It consists (inter alia) of the President, Deputy President, Honorary Treasurer and Councillors (representatives elected from the various member associations). The LTA Council manages the LTA through the Board assisted by various other boards, committees and panels. The Standing Orders* set out how the Council determines the composition of, and appointment to, the Board (and other boards, committees and panels) and delegates its power to the Board. The LTA Council meets at least four times a year and at those meetings receives reports from the LTA Board, as does the Annual General Meeting.

The responsibilities of Council include approval of the strategy and budget; the annual accounts and report; nominations including for the President, Deputy President, Honorary Treasurer, Deputy Honorary Treasurer (if appointed) and Council representatives to the Board; amendments to the Standing Orders; amendments to the LTA Rules (also subject to the AGM's approval); subscription fees; interest charged on LTA loans; and the approval of any significant major transactions.

The Board

The composition of the Board is also governed by the Rules of The LTA and the Standing Orders. These include the formal procedures for the election of the President, Deputy President, Honorary Treasurer, Deputy Honorary Treasurer (if appointed) and the representatives from Council that sit on the Board.

The President, Deputy President, the Honorary Treasurer and Deputy Honorary Treasurer (if appointed) are elected each year and there is a convention that no President will serve longer than three years. The remaining non executive Board members are also considered for re-election on an annual basis.

The Board has clear terms of reference and a clear understanding of its responsibility and role. The functions of the Board are to provide leadership to the LTA, formulate the strategy, objectives and major policies before they are presented to Council for approval and to review and monitor the LTA's operational and financial performance against that strategy and objectives. Further detail as to matters reserved for decisions by the Board may be found in the LTA Governance Document. There is a clear division of responsibility between the President and the Chief Executive and each executive Board member has a role description and limits of authority. The Board meets a designated number of times per year in accordance with the Standing Orders. During the year to 30 September 2010 the Board met seven times.

The Board is not to exceed 15 in number. The current Board members are:

Name	Description	No of Meetings attended in year
Derek Howorth	President	7
Peter Bretherton	Deputy President	7
Andrew Crichton	Honorary Treasurer	7
Martin Corrie	Chair of the Professional Tennis Advisory & Scrutiny Board	6
Tom Kinloch	Board member elected by Council and Chair of the Tennis Operations Advisory & Scrutiny Board (with effect from 1 January 2010)	7
Cathie Sabin	Board member elected by Council	7
Tony Lemons	Board member elected by Council (appointed 16 December 2009)	6
Peter Littlewood	President's nominated member (appointed 16 December 2009)	7
Val Gooding	Independent non-executive	6
Richard Baker	Independent non-executive (appointed 11 May 2010)	3
Roger Draper	Chief Executive	7
Mark Donnelly	Finance Director	7

Anne Clark stepped down as Chair of the Tennis Operations Advisory & Scrutiny Board with effect from 31 December 2009. Sir Robert Phillis, an independent non-executive, died on 22 December 2009.

Karen Neale, Head of Legal, is the LTA's Secretary (appointed 11 May 2010) and attends all Board meetings in that capacity.

The Board is satisfied with the balance between executive and non-executive Board members which allows it to exercise objectivity in Board decision making and proper control of the LTA's assets. Whilst the Board has two nominated Independent Non-Executive Board members, all the non-executive Board members are considered independent of the executive and are directly accountable to the LTA Council and reflect members' interests accordingly. The Board considers its composition is appropriate in view of the size and requirements of the LTA's business. The Nominations Committee review the composition of the Board and make recommendations to the President and Council on its make up. The Nominations Committee is responsible for leading the search and review procedure to recommend new Board appointments.

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

Main Board Performance

The President is responsible for leadership of the Board and ensuring its effectiveness. The President on behalf of the Board reviews its performance and effectiveness during each year. The process includes a variety of methods, including questionnaires completed by and interviews with Board Members conducted by the LTA Secretary or the President. Issues addressed include the function of the Board and each of its committees and panels and includes an assessment of the President by his peers. The results are considered first by the President and then by the Board. In addition, the Board also debates and agrees the key priorities and ways of working and this is intrinsically linked to the delivery of the strategy and key working priorities of the executive management team. As a result of the findings of the review, the Board considered its performance to be satisfactory during the year.

The Executive Team

The responsibility for operational decision making lies with the LTA's Executive Team. As such, the Executive is responsible for the implementation of the strategy, objectives and major policies of the LTA and are directly accountable to the Board and are responsible for briefing and updating the Board with relevant information. The current Executive Team incorporates all the critical areas of the business and its members are:

Name	Description
Roger Draper	Chief Executive
Steven Martens	Player Director
Bruce Philipps	Director of Communications & Commercial
Mark Donnelly	Finance Director
Tom Harlow	Head of Business Development

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

President's Committee

The President's Committee is a forum consisting of the President, Deputy President and Honorary Treasurer with the CEO and Finance Director in attendance as appropriate. The President's Committee will advise the President as required, review the annual budget prior to submission to the Board and provide a forum where the CEO can discuss issues and seek advice or feedback on a confidential basis.

Audit Committee

The main role and responsibilities of the Audit Committee are to monitor the integrity of the financial statements of the LTA, review the LTA's internal financial controls, financial risk management systems and to manage the appointment, independence and performance of the external auditors. Its terms of reference are set out in the LTA Governance Structure document.

The Audit Committee is chaired by Richard Baker, an Independent Non-Executive member of the Board. The other members of the Committee are Andrew Crichton, the Honorary Treasurer, and Tony Lemons, a Board Member elected by the LTA's Council. Mark Donnelly, the Finance Director and the LTA's audit partner attend the Committee as invited.

During the year Tom Kinloch was co-opted to the Committee and was acting chair prior to Richard Baker's appointment.

The Audit Committee reports to the Board and also to Council on any audit matter. The Audit Committee generally meets up to three times a year and in line with its terms of reference reviewed the annual financial statements before they were approved by the Board.

There is currently no internal audit function and the Audit Committee and the Board believe that this is appropriate for the organisation, based on its size and activities. This will be reviewed on an annual basis when the need for any internal audit activity or function will be considered.

Pricewaterhouse Coopers LLP, the LTA's audit firm, also provides tax advice to the organisation via separate engagement teams and tax partner. The Audit Committee is satisfied that the provision of tax advice does not impact the auditor's subjectivity and independence.

Funding Committee

The main role and responsibilities of the Funding Committee are to ratify, review and agree LTA capital funding, both loans and grants, for individual projects in accordance with the LTA's capital funding programme and budget. The Funding Committee is chaired by a member of Council and has eight members; the LTA Honorary Treasurer and Finance Director are invited to attend.

Investment Committee

The main role and responsibility of the Investment Committee is to decide the LTA's investment policy for its portfolio of investment securities and such other assets as the Board decides. It is guided by the Board as to the balance required between income and capital growth. Its terms of reference are set out in the LTA Governance Structure Document.

The Investment Committee is chaired by Andrew Crichton, the Honorary Treasurer. The other members are Peter Bretherton, the Deputy President, Martin Corrie, Board member and Chairman of the Professional Tennis Advisory and Scrutiny Board and Mark Donnelly, the Finance Director.

The Investment Committee reports to the Board and met four times in the financial year.

Nominations Committee

The nomination procedures for boards, committees and panels are set out in the LTA Governance Structure Document. The Board Nominations Committee was set up in 2009 with the purpose of keeping the composition of the Board under review and considering the appointments of Councillors and succession planning at senior levels of management. Membership of the Nominations Committee comprises the members of the President's Committee and an Independent Non-Executive Board member (Val Gooding).

Remuneration Committee

The main role and responsibilities of the Remuneration Committee is to determine the LTA's policy on remuneration and to advise on the total remuneration packages of the Chief Executive and senior executives and to make any comparisons with market rates of remuneration as necessary. The Remuneration Committee engages independent external consultants to benchmark remuneration levels as required. Its terms of reference are set out in the LTA Governance Structure Document.

The Remuneration Committee is chaired by the President. The other members of the Committee are Andrew Crichton, the Honorary Treasurer, Val Gooding, Independent Non-Executive Board member and Peter Bretherton, Deputy President, with Roger Draper, the Chief Executive, and the Head of HR in attendance as appropriate. The Remuneration Committee reports to the Board. The Remuneration Committee has met three times during the financial year.

The Organisation's remuneration strategy is to pay executives the appropriate market remuneration packages to attract and retain high calibre individuals to manage and deliver the Organisation's objectives. No remuneration is currently paid to the non-executive Board members which the Board considers appropriate at the current time.

Risk Advisory Committee

The main role and responsibility of the Risk Advisory Committee is to review and to report to the Board, on the major risks which the organisation faces and also the design, implementation and the monitoring of the systems of internal control to mitigate, wherever possible, these risks. In particular, the Risk Advisory Committee considers and receives reports from the executive-led Risk Advisory Group on the nature of risks facing the LTA, the categories of risk which are acceptable, the likelihood of risks materialising, the LTA's ability to reduce this likelihood and impact on its business of the risks and the costs of operating the particular controls relative to the benefit obtained in managing the identified risks. Its terms of reference are set out in the Corporate Structure Document.

The Risk Advisory Committee is chaired by Peter Bretherton, Deputy President. The other members are Roger Draper, the Chief Executive, Bruce Philipps, the Director of Communications & Commercial, Mark Donnelly, the Finance Director and Karen Neale, Head of Legal Services and LTA Secretary. The Risk Advisory Committee has met four times in the current financial year.

24th November 2010

* All of the documents mentioned in this report can be accessed and downloaded via the LTA website at www.lta.org.uk/About-Us/

Report and financial statements for the year ended 30th September 2010

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The Lawn Tennis Association

Report and financial statements for the year ended 30th September 2010

Report of the Board and Council of the Lawn Tennis Association for the year ended 30th September 2010

Introduction

The Board and Council present their report and the audited Group financial statements of the Lawn Tennis Association (the LTA) and its subsidiaries for the year ended 30th September 2010. These are presented in conjunction with a detailed review of the LTA's activities and progress in the LTA Annual which is available via the LTA's website.

As an unincorporated association the LTA is not required to prepare financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). However, the LTA has adopted UK GAAP for reasons of best practice and the demonstration of good corporate governance.

Principal activities

The LTA is the governing body of tennis in Great Britain, the Channel Islands and the Isle of Man. Its objects are to promote and develop tennis and to advance and safeguard the interests of the sport.

Governance

The LTA is an unincorporated body and has no share capital. Details of the governance structure of the LTA including the role of the Board, key committees and the names of the Board members are set out in the Corporate Governance section of this report.

Review of business and future developments

The detailed operating performance of the LTA and future strategy is presented within the Business Review and Strategy.

LTA Group turnover increased from £50.6m to £53.6m in 2010. The importance of our partnerships with the All England Lawn Tennis Club, Sport England and AEGON as our lead commercial partner across all of British tennis are recognised within our income streams and we continue to work closely with all parties to maximise their investment within British tennis.

The LTA invests these funds in line with its objectives to grow and develop the sport at all levels and to provide the performance infrastructure and environment for talented individuals to be successful at world level. LTA operating expenditure across these areas in the year was £54.7m, against £56.2m in 2009.

A large element of the development of tennis at grass roots and within the community is delivered by the Tennis Foundation and included within the consolidated operating expenditure of the LTA is a donation of £11.1m (2009: £9.4m) from the LTA to the Tennis Foundation.

In addition to operating expenditure, the LTA also invests significantly in facility projects including clubs, indoor facilities, parks and schools. During the year the LTA invested £5.2m in new facility projects (2009: £4.8m). Of this £5.2m investment, £0.2m of LTA awarded grants are included within operating expenditure above and the balance consists of £3.9m of Sport England facility grants awarded under the Whole Sport Plan and £1.1m of interest free loans awarded by the LTA which will be repayable over 10 years.

The LTA maintains a healthy balance sheet with sufficient cash to provide mitigation against risks and uncertainties and to enable the organisation to plan ahead with reasonable certainty around key programmes. Cash balances at 30 September 2010 were £23.0m against £27.1m in 2009. Net assets were £139.5m at 30 September 2010 (2009: £140.4m) of which £45.1m are within restricted reserves (2009: £48.4m) and £38.3m is invested within fixed assets (2009: £38.3m).

Results and dividends

The Group loss for the year after taxation amounted to £0.9m (2009: £8.7m). Under the LTA rules, the LTA may not pay a dividend or distribute its retained reserves or funds to its members.

Principal risks and uncertainties

There are a number of potential risks which could have a significant impact on the LTA's long-term performance and financial position. As detailed in the Corporate Governance statement the Risk Advisory Committee and Risk Advisory Group are responsible for identifying and reviewing the risks to the Group and these are reported to the Board. Controls and suitable actions are put in place to mitigate these identified risks as far as is possible and practical. The Audit Committee is responsible for assessing the LTA's internal control environment.

A key business risk relates to the certainty of future revenue streams notably from The Championships, Sport England and commercial partners. These risks are mitigated by the long term contracts the LTA has secured with its major partners which secures these various revenue sources over the next 43 years, three years and three years respectively. Given the large contribution that the Championships make to the LTA's total results the Group is still exposed to a catastrophic loss of revenue in any single year due to cancellation or severe curtailment of the Championships. Further steps to mitigate or protect against this risk were in place during the year particularly with respect to the roof over Centre

Court providing protection against weather losses and insurance covering major curtailment or abandonment risks where possible. There are isolated risks which are not insurable in relation to The Championships and also within LTA run major events which could have a material impact on revenue streams associated with these events but these are considered remote. The LTA maintains adequate cash balances and reserves to mitigate any short term financial impact from these risks.

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

The Group holds investments in shares and hedge funds as part of its overall investment strategy. The Group has appointed independent specialist investment advisers who manage the portfolio on the LTA's behalf in accordance with the agreed risk profile. However it is recognised that any investment portfolio is subject to market fluctuations and external factors. Some investments are held in foreign currency and the LTA enters into financial instruments to mitigate any exchange risk on these investments. This policy is approved by the Board and the Investment Committee oversees the implementation of this policy. The LTA does not use financial instruments for speculative purposes.

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

Equality

The LTA is committed to making tennis accessible and open to everyone who wants to be involved in the game. It is its policy to treat everyone equally, fairly and consistently.

Employee engagement

During the year the policy of providing employees with information about the LTA and British tennis has continued through internal communications in which employees have also been encouraged to present their suggestions and views. Regular meetings are held between management and employees to allow a free flow of information and ideas and the LTA places considerable value on the views and involvement of its employees.

Charitable donations

The Tennis Foundation (TF) is a registered charity (Charity number – 298175). The TF funds a sustainable and inclusive tennis development programme for all age groups across all local authority tennis facilities, including parks, leisure centres and indoor facilities located on local authority land. The remit of the TF also extends to the whole of the education sector and to disability development and performance. The TF is the key partner of the LTA in promoting the development of tennis and increasing participation in Great Britain and a number of charitable programmes are run in partnership. The LTA is a key funding partner of the TF and during the year the LTA donated £11.1m (2009: £9.4m) to the TF which is included within the LTA's

operating expenditure. The TF invested these funds together with revenue raised from other partners and external sources to further its charitable objectives.

The TF requested that the LTA manage and deliver some of the programmes for the advancement of tennis across the areas of junior development, community access and tennis facilities, including parks and clubs. The LTA also provides a number of support, administrative and management services to the TF.

Other charitable donations were a £9,000 donation to Right to Play by LTA Events Ltd.

Supplier payment policy

The LTA's policy which is applied across the Group is to pay suppliers in accordance with the terms of the transaction agreed at the time of entering into the transaction. Trade creditors of the Group at 30 September 2010 were equivalent to 26 days (2009: 19 days) purchases based on the average daily amount paid to suppliers during the year.

Statement of responsibilities in respect of the Annual Report and the financial statements

The Board and Council of the LTA are responsible for the preparation of the Annual Report and the financial statements for each financial year that give a true and fair view of the state of affairs of the LTA and the Group and of the Group's profit or loss for that period and that are in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In preparing those financial statements the Board and Council are required to:

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

The Board and Council of the LTA are responsible for keeping adequate accounting records that are sufficient to show and explain the LTA's transactions and disclose with reasonable accuracy at any time the financial position of the LTA and the Group. They are also responsible for safeguarding the assets of the LTA and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board and Council of the LTA are responsible for the maintenance and integrity of the corporate and financial information included on the LTA's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

DP Howorth
By order of the Council
24th November 2010

Independent Auditors' Report to the Council of the Lawn Tennis Association

We have audited the financial statements of the Lawn Tennis Association (the LTA) for the year ended 30 September 2010 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Association balance sheets, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of responsibilities in respect of the Annual Report and the financial statements set out on page 11, the Board and Council 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 the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the LTA's Council as a body in accordance with LTA's Rule 14 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board and Council; and the overall presentation of the financial statements.

Opinion

In our opinion:

the financial statements give a true and fair view of the state of the Group and the Association's affairs as at 30 September 2010 and of the Group's loss and the Group's cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the information given in the Report of the Board and Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following matters where we report to you if, in our opinion:

- adequate accounting records have not been kept by the LTA; or
- the Group and Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP
Chartered Accountants, London
24th November 2010

Group profit and loss account for the year ended 30th September 2010

	Notes	2010 £'000s	2009 £'000s
Turnover		60,945	55,913
Less: Share of turnover of joint venture	2	(7,363)	(5,357)
Group turnover	2	53,582	50,556
Operating expenses		(54,698)	(56,242)
Group operating loss	3	(1,116)	(5,686)
Share of operating profit/(loss) of joint venture	2	1,597	(1,093)
Total operating profit/(loss)		481	(6,779)
Exceptional items			
Profit/(loss) on disposal of fixed asset investments	5	135	(452)
Net interest receivable/(payable) and similar items	6	259	(167)
Profit/(loss) on ordinary activities before taxation		875	(7,398)
Tax on profit/(loss) on ordinary activities	7	(1,753)	(1,275)
Loss for the financial year	17	(878)	(8,673)
Statement of total recognised gains and losses			
		2010	2009
		£'000s	£'000s
Loss for the financial year		(878)	(8,673)
Exchange differences	19	13	164
Total recognised losses		(865)	(8,509)

The notes on pages 17 – 29 form an integral part of these financial statements.

Group balance sheet as at 30th September 2010

	Notes	2010 £'000s	2009 £'000s
Fixed assets			
Intangible assets	9	1,208	1,548
Tangible assets	10	38,268	38,346
Investments	11	26,946	23,829
Interest in joint venture			
- share of gross assets	12	176,069	172,326
- share of gross liabilities	12	(45,282)	(53,449)
- share of debenture premia	12	(109,301)	(98,051)
		<u>21,486</u>	<u>20,826</u>
		87,908	84,549
Current assets			
Debtors – amounts falling due within one year	13	23,204	20,705
Debtors – amounts falling due after more than one year	13	21,059	22,461
Deferred tax assets	14	1,420	1,014
Cash at bank and in hand		22,990	27,090
		<u>68,673</u>	<u>71,270</u>
		58,195	62,109
Creditors – amounts falling due within one year	15	(10,478)	(9,161)
		<u>58,195</u>	<u>62,109</u>
Net current assets			
		58,195	62,109
Total assets less current liabilities		146,103	146,658
Creditors – amounts falling due after more than one year	16	(6,564)	(6,254)
		<u>139,539</u>	<u>140,404</u>
Net assets		139,539	140,404
Funds and reserves			
General reserve	17	94,475	92,043
Other reserves	18	45,064	48,361
		<u>139,539</u>	<u>140,404</u>

The financial statements on pages 13 – 29 were approved and authorised for issue by the Board and Council on 24th November 2010 and were signed on their behalf by:

ADD CRICHTON
Honorary Treasurer

The notes on pages 17 – 29 form an integral part of these financial statements.

Association's balance sheet as at 30th September 2010

	Notes	2010 £'000s	2009 £'000s
Fixed assets			
Intangible assets	9	1,208	1,548
Tangible assets	10	37,924	37,974
Investments	11	28,742	25,625
		<u>67,874</u>	<u>65,147</u>
Current assets			
Debtors – amounts falling due within one year	13	26,967	23,741
Debtors – amounts falling due after more than one year	13	16,760	18,254
Deferred tax assets	14	1,241	907
Cash at bank and in hand		18,283	24,552
		<u>63,251</u>	<u>67,454</u>
Creditors – amounts falling due within one year	15	(7,287)	(7,467)
Net current assets		<u>55,964</u>	<u>59,987</u>
Total assets less current liabilities		123,838	125,134
Creditors – amounts falling due after more than one year	16	(6,059)	(6,059)
Net assets		<u>117,779</u>	<u>119,075</u>
Funds and reserves			
General reserve	17	82,160	83,289
Other reserves	18	35,619	35,786
		<u>117,779</u>	<u>119,075</u>

The financial statements were approved and authorised for issue by the Board and Council on 24th November 2010 and were signed on their behalf by:

ADD CRICHTON
Honorary Treasurer

The notes on pages 17 – 29 form an integral part of these financial statements.

Group cash flow statement for the year ended 30th September 2010

	2010	2009	
	£'000s	£'000s	
Reconciliation of Group operating loss to net cash outflow from operating activities			
Group operating loss	(1,116)	(5,686)	
Depreciation charge (net of profit/loss on disposal)	2,414	2,114	
Amortisation charge	340	340	
Increase in debtors	(2,583)	(1,948)	
Decrease in outstanding loans to places to play	1,505	677	
Increase/(decrease) in creditors	1,740	(1,613)	
Net cash inflow/(outflow) from operating activities	2,300	(6,116)	
Returns on investments and servicing of finance			
Interest received	315	988	
Dividends received	232	198	
	547	1,186	
Taxation (paid)/refunded	(405)	497	
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets	(725)	(1,163)	
Receipts from disposal of fixed assets	1	10	
Payments to acquire fixed assets	(2,315)	(2,095)	
Receipts from sale of fixed asset investments	4,851	6,014	
Payments to acquire fixed asset investments	(8,070)	(10,761)	
Payments in relation to investment hedging instruments	(284)	(2,049)	
	(6,542)	(10,044)	
Decrease in cash in the year	(4,100)	(14,477)	
Reconciliation of movement in net funds			
	1st Oct	Cash	30th Sept
	2009	flows	2010
	£'000s	£'000s	£'000s
Cash at bank and in hand	27,090	(4,100)	22,990
Loans due after one year	(6,059)	-	(6,059)
Net funds	21,031	(4,100)	16,931

The notes on pages 17 – 29 form an integral part of these financial statements.

Notes to the financial statements

Year ended 30th September 2010

1. Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable United Kingdom Accounting Standards.

(a) Basis of consolidation

The Group financial statements consolidate the financial statements of the LTA and its subsidiary undertakings made up to 30th September 2010 and its share of the results and post acquisition reserves of joint ventures. The profits and losses of subsidiaries and joint ventures are consolidated from the date of acquisition to the date of disposal.

(a.1) Accounting for unincorporated joint arrangement – The Championships

The Lawn Tennis Championships (The Championships) are held annually at Wimbledon. In these financial statements The Championships are accounted for as an unincorporated joint arrangement. The joint arrangement is governed by an agreement between The All England Lawn Tennis & Croquet Club (The Club) and the LTA, whereby The Championships are controlled, managed and promoted by a Committee of Management consisting of members representing the Club and the LTA. The Championships prepares its financial statements to 31st July.

The allocation of the financial surplus of The Championships is also governed by this agreement. The financial arrangements are designed to advance the interests of British tennis. The net surplus has been allocated fully to the LTA in the current and prior year covered by these financial statements.

(a.2) Accounting for incorporated joint venture – All England Lawn Tennis Ground Plc

The All England Lawn Tennis Ground Plc (The Ground Company) is the owner of grounds in Wimbledon, London, SW19, which it makes available for the playing of lawn tennis and croquet. The Ground Company prepares its financial statements to 31st July.

The shares in The Ground Company are held equally between the LTA and The Club. Accordingly, the Ground Company is accounted for as a joint venture.

(b) Turnover

Turnover includes the gross surplus of The Championships, income from facility and hospitality fees from tennis tournaments, commercial and sponsorship income, government grants, advertising income and sales of magazines and other publications, and subscriptions less any refunds or returns and is stated net of VAT.

(c) Grants

Grant income is recognised in the profit and loss account either on receipt or in the period in which the related expenditure is incurred, depending on the nature of the grant. Grant expenditure is recognised in the profit and loss account in the period in which the grant was made or committed to other third parties.

(d) Foreign currencies

Foreign currency transactions arising during the year are translated at the rates prevailing at the date of the transactions unless covered by a forward exchange contract, in which case the contract rate is used. Balances outstanding at the year end are translated at the rate ruling on that date unless covered by a forward exchange contract.

(e) Operating leases

Rentals payable under operating leases are charged on a straight line basis over the lease term.

(f) Intangible fixed assets and amortisation

Intangible fixed assets are stated in the balance sheet at cost less provision for amortisation.

Amortisation is calculated to write off the cost of intangible assets over their expected lives by equal instalments. The expected life of each intangible asset is determined on an individual basis, dependant on the duration of its economic benefit.

Commercial Rights will be amortised over 5 to 10 years based on the contractual period to which they relate.

(g) Tangible fixed assets and depreciation

Tangible fixed assets are stated in the balance sheet at cost less provision for depreciation.

Depreciation is calculated to write off the cost, less estimated residual value, of tangible fixed assets over their expected lives by equal annual instalments. Depreciation is provided on all tangible fixed assets apart from freehold land and assets under construction.

The following asset lives are used:

Long leasehold	125 years
Buildings and tennis courts	10 to 50 years
Motor vehicles	4 years
Furniture and equipment	3 to 20 years
Computer equipment	3 years

(h) Investments

Investments held as fixed assets are stated at cost less any provision considered necessary for permanent diminution in value. Investments denominated in foreign currency are re-translated at the rate ruling at the balance sheet date, with any exchange differences taken to reserves.

(i) Hedging

The Group has not adopted FRS 26, 'Financial instruments: Recognition and measurement' and accordingly accounts for forward exchange contracts and related hedges in accordance with SSAP 20, 'Foreign Currency Translation'.

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

(j) Taxation including deferred taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

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

(k) Pension costs

Contributions payable to defined contribution schemes are charged to the profit and loss account in the period to which they relate. There are no defined benefit pension obligations.

(l) Debenture accounting

The Ground Company, a joint venture of the LTA and the Club, issues debentures to fund the development of the grounds at Wimbledon. The par value of the debenture that is due to be repaid has been included in creditors in the joint venture with the premia being credited to the Ground Company reserves on receipt. As these premia fund the investment in the joint venture's assets, the premia have been offset against the share of the joint venture's assets.

2. Segmental reporting

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

	Turnover		Loss before tax	
	2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
Group	53,582	50,556	(1,116)	(5,686)
Joint venture: The Ground Company	7,363	5,357	1,597	(1,093)
Exceptional items (note 5)				
Profit/(loss) on disposal of fixed asset investments			135	(452)
Net interest receivable and similar income (note 6)	-	-	259	(167)
Total	60,945	55,913	875	(7,398)
Net assets			2010 £'000s	2009 £'000s
LTA Group			118,053	119,578
Joint venture: The Ground Company			21,486	20,826
Total			139,539	140,404

The LTA Group figures above include the LTA and all LTA subsidiaries. The LTA Group includes within turnover the gross surplus of £32,408,000 (2009: £30,612,000) from The Championships and within profit after tax the net surplus of £31,002,000 (2009: £29,170,000) (note 22).

3. Group operating loss

	2010	2009
Group operating loss is stated after charging/(crediting):	£'000s	£'000s
Amortisation of intangible fixed assets	340	340
Depreciation of tangible fixed assets	2,414	2,122
Profit on disposal of fixed assets	-	(8)
Operating lease and other hire charges:		
- Plant and machinery	135	111
- Other	273	279
Auditors' remuneration:		
- Audit services current year	91	85
- Audit services relating to prior year	12	-
- Tax services	162	239
Grants payable:		
- Tennis Foundation	11,100	9,400
Grant income	(3,624)	(4,100)
Grants for capital projects	180	1,500

4. Employees

The average monthly number of employees of the Group during the year was 273 (2009: 275).

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

	2010	2009
Group employees	£'000s	£'000s
Salaries and fees	11,403	11,280
Social security costs	1,313	1,323
Pension and other insurance costs	508	483
	13,224	13,086
Charge to the Tennis Foundation (note 22)	(2,207)	(2,276)
	11,017	10,810

5. Exceptional items

	2010	2009
	£'000s	£'000s
Exceptional items comprise:		
Profit/(loss) on sale of fixed asset investments	135	(452)
Total exceptional items	135	(452)

6. Net interest receivable and similar income

	2010 £'000s	2009 £'000s
Interest receivable		
Group interest receivable	315	942
Share of interest receivable of joint venture	6	24
Income from fixed asset investments	250	218
Total interest receivable	571	1,184
Share of interest payable of joint venture	(312)	(1,351)
Total interest payable	(312)	(1,351)
Net interest (payable)/receivable and similar income	259	(167)

7. Taxation

	2010 £'000s	2009 £'000s
Group taxation		
Current tax:		
UK corporation tax on results for the year	1,012	363
Overseas tax	544	525
Adjustment in respect of previous years	(27)	20
Share of joint venture:		
- current tax	1,078	231
- adjustment in respect of previous years	(11)	(600)
Total current tax	2,596	539
Deferred tax:		
Origination and reversal of timing differences	(143)	(121)
Effect of future corporation tax rate changes	21	-
Adjustment in respect of previous years	(285)	107
Share of joint venture:		
- deferred tax	422	172
- adjustment in respect of previous years	(622)	578
- effect of future corporation tax rate changes	(236)	-
Total deferred tax	(843)	736
Tax on loss on ordinary activities	1,753	1,275

The tax assessed for the year is higher (2009: higher) than the standard rate of corporation tax in the UK (28% average for the year to 30th September 2010). The differences are explained below:

	2010	2009
	£'000s	£'000s
Reconciliation of Group current tax charge		
Loss on ordinary activities before tax	875	(7,398)
Profit on ordinary activities multiplied by standard corporation tax rate in the UK of 28% for large entities and 21% for smaller entities (2009: 28%)	<u>257</u>	<u>(2,071)</u>
Effects of:		
Expenses not deductible for tax purposes	2,620	3,165
Accelerated capital allowances and other timing differences	(279)	(149)
Deferred tax not recognised	36	73
Other adjustments	-	101
Adjustments in respect of previous years	(38)	(580)
Total current tax charge	<u>2,596</u>	<u>539</u>

8. Profit of the LTA

Excluding the results of all of its subsidiaries, the LTA generated a loss for the financial year of £1,309,000 (2009: £2,443,000). No separate profit and loss account is presented for the Association on the basis that consolidated financial statements are presented.

9. Intangible fixed assets

	Group	LTA
	Commercial rights	Commercial rights
	£'000s	£'000s
Cost:		
At 1st October 2009 and 30 September 2010	1,888	1,888
Amortisation:		
At 1st October 2009	340	340
Charge for the year	340	340
At 30th September 2010	<u>680</u>	<u>680</u>
NBV at 30th September 2010	<u>1,208</u>	<u>1,208</u>
NBV at 1st October 2009	<u>1,548</u>	<u>1,548</u>

The net book value ('NBV') of intangible fixed assets includes the acquisition of tournament rights and expenditure securing participation in such tournaments.

10. Tangible fixed assets

Group	Land and buildings £'000s	Motor vehicles £'000s	Furniture, computers & equipment £'000s	Total £'000s
Cost:				
At 1st October 2009	35,368	93	8,203	43,664
Additions	533	-	1,803	2,336
Disposals	-	-	(3)	(3)
At 30th September 2010	35,901	93	10,003	45,997
Depreciation:				
At 1st October 2009	1,816	70	3,432	5,318
Charge for the year	652	11	1,751	2,414
Disposals	-	-	(3)	(3)
At 30th September 2010	2,468	81	5,180	7,729
NBV at 30th September 2010	33,433	12	4,823	38,268
NBV at 1st October 2009	33,552	23	4,771	38,346
LTA				
	Land and buildings £'000s	Motor vehicles £'000s	Furniture, computers & equipment £'000s	Total £'000s
Cost:				
At 1st October 2009	35,368	93	7,740	43,201
Additions	533	-	1,731	2,264
Disposals	-	-	(3)	(3)
At 30th September 2010	35,901	93	9,468	45,462
Depreciation:				
At 1st October 2009	1,816	70	3,341	5,227
Charge for the year	652	11	1,651	2,314
Disposals	-	-	(3)	(3)
At 30th September 2010	2,468	81	4,989	7,538
NBV at 30th September 2010	33,433	12	4,479	37,924
NBV at 1st October 2009	33,552	23	4,399	37,974

The net book value ('NBV') of land and buildings comprises long leasehold assets.

11. Fixed asset investments

Group	Third party investments		
	£'000s		
Cost:			
At 1st October 2009	23,829		
Additions	7,833		
Disposals	(4,716)		
At 30th September 2010	<u>26,946</u>		
LTA	Third party investments	Subsidiaries and joint venture	Total
	£'000s	£'000s	£'000s
Cost:			
At 1st October 2009	23,829	1,796	25,625
Additions	7,833	-	7,833
Disposals	(4,716)	-	(4,716)
At 30th September 2010	<u>26,946</u>	<u>1,796</u>	<u>28,742</u>

The market value of the third party investments as at 30th September 2010 was £28,118,000 (2009: £23,453,000).

The subsidiaries below are all incorporated in the UK and are wholly owned by the LTA:

Subsidiary	Nature of activities
LTA Holdings Limited	Holding company for LTA subsidiaries
LTA Nominees Limited	Nominee company for the LTA
LTA Developments Limited	Manages tennis developments on behalf of the LTA
LTA Events Limited	Facilitates and manages tennis tournaments on behalf of the LTA
LTA Ground Limited	Owns and manages properties on behalf of the LTA
LTA Services Limited	Provides manpower services
Tennis GB Limited	Publishes tennis magazines and other tennis publications

12. Interest in joint venture

The joint venture is The Ground Company, in which the LTA owns a 50% share. Its activities are the provision of grounds for tennis and croquet. The share of profits/(losses) of the joint venture is based upon audited financial statements prepared to 31st July 2010. The key financial information in respect of 50% of this entity is as follows:

	2010 £'000s	2009 £'000s
Turnover	7,363	5,357
Operating profit/(loss)	1,597	(1,093)
Net interest payable	(306)	(1,327)
Profit/(loss) on ordinary activities before tax	1,291	(2,420)
Tax on ordinary activities	(631)	(380)
Profit/(loss) for the financial year	660	(2,800)
Gross assets		
Fixed assets	165,028	165,613
Current assets	11,041	6,713
	176,069	172,326
Gross liabilities		
Liabilities due within one year	(17,569)	(10,937)
Liabilities due after more than one year	(27,713)	(42,512)
	(45,282)	(53,449)
Debenture premia	(109,301)	(98,051)

The LTA's share of the capital commitments in The Ground Company is £4.6m at year end (2009:£9.6m)

In May 2009 the LTA entered into a contract with The Club in respect of The Championships and the distribution of the surplus for the period to 2053. These terms and the conditional disposal of the LTA's investment in The Ground Company to The Club in 2013 secure this long term revenue source and enables the LTA to plan with long term certainty.

13. Debtors

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
Amounts falling due within one year:				
Trade debtors	3,083	1,744	2,207	792
Amounts owed by Group undertakings	-	-	5,371	5,182
Amounts owed by The Championships	16,002	14,170	16,002	14,170
Amounts owed by the TF	1,262	-	1,130	-
Loans repayable by places to play	868	1,231	868	1,231
Tennis developments	71	262	-	-
Other debtors	458	600	236	-
Prepayments and accrued income	1,460	2,698	1,153	2,366
	<u>23,204</u>	<u>20,705</u>	<u>26,967</u>	<u>23,741</u>
Amounts falling due after more than one year:				
Loans repayable by places to play	11,447	12,589	11,447	12,589
Tennis developments	4,299	4,207	-	-
Prepayments and accrued income	5,313	5,665	5,313	5,665
	<u>21,059</u>	<u>22,461</u>	<u>16,760</u>	<u>18,254</u>

Included within amounts falling due after more than one year is £4,299,000 (2009: £4,207,000) that represents amounts repayable over a 20 year period that commenced in 2005 from The West Hants LTC for loans that assisted with the development of the club. In 2006 a moratorium was agreed to defer the instalments due in the calendar years 2007 and 2008, thus extending the repayment period to 22 years. In the current year it was agreed to extend the repayment period to 30 years and repayments are being made on this basis.

14. Deferred tax

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
Asset				
At 1st October	1,014	1,000	907	1,000
Credited/(charged) to the profit and loss account	406	14	334	(93)
At 30th September	<u>1,420</u>	<u>1,014</u>	<u>1,241</u>	<u>907</u>

The gross deferred tax assets, of which £1,420,000 (2009: £1,014,000) have been recognised in these financial statements, comprise:

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
Deferred capital allowances	2,043	1,425	1,864	1,412
Short term timing differences	127	338	127	245
Deferred tax assets	<u>2,170</u>	<u>1,763</u>	<u>1,991</u>	<u>1,657</u>

15. Creditors - amounts falling due within one year

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
Trade creditors	109	801	54	537
Amounts owed to Group undertakings	-	-	142	752
Amounts owed to the TF	-	296	-	335
Corporation tax	808	218	808	218
Other creditors	2,997	2,368	2,131	1,684
Accruals and deferred income	6,564	5,478	4,152	3,941
	10,478	9,161	7,287	7,467

16. Creditors - amounts falling due after more than one year

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
Amounts owed to joint venture	6,059	6,059	6,059	6,059
Accruals and deferred income	505	195	-	-
	6,564	6,254	6,059	6,059

Amounts due to joint venture of £6,059,000 (2009: £6,059,000) are due to The Ground Company from the LTA. This amount is not repayable before June 2013. This loan is unsecured and is interest free.

17. General reserves

	Group 2010 £'000s	LTA 2010 £'000s
At 1st October 2009	92,043	83,289
Loss for the financial year	(878)	(1,309)
Transfer from The Championships rebuilding reserve (note 18)	3,130	-
Transfer from The LTA Project reserve (note 18)	180	180
At 30th September 2010	94,475	82,160

The LTA's funds may not be paid or distributed to its members but are applied towards the furtherance of the LTA's objectives.

The LTA invests any part of its funds that are not required immediately for its purposes and objectives. In the event of dissolution, the funds remaining will be devoted to objectives similar to those of the LTA or to some other charitable purpose.

18. Other reserves

	Other reserves Group £'000s	Other Reserves LTA £'000s
At 1st October 2009	48,361	35,786
Transfer to general reserves (note 17)	(3,310)	(180)
Movement in hedging reserve	13	13
At 30th September 2010	45,064	35,619

Other reserves include the projects reserve, ticket refunds reserve, loans fund, The Championships rebuilding reserve, the Lord Ritchie library fund and The Ground Company general reserve.

The LTA projects reserve of £6,443,000 (2009: £6,623,000) has been designated as a reserve segregated from the general reserve and represents amounts that are available for grants to fund capital projects.

The LTA ticket refunds reserve of £2,000,000 (2009: £2,000,000) is a reserve for rain delays at The Championships and has been created to allow for major variations in the level of refunds caused by rain from year to year.

The LTA loans fund of £27,000,000 (2009: £27,000,000) has been segregated from the general reserve and represents amounts that are allocated for loans to places to play.

The Championships rebuilding reserve of £9,387,000 (2009: £12,517,000) represents amounts set aside in The Ground Company to meet the potential long term rebuilding costs of The Championships facilities.

The hedging reserve of £177,000 (2009: £164,000) represents amounts taken to reserves in respect of exchange differences arising on the re-translation of fixed asset investments denominated in foreign currency, off-set by exchange differences arising on the re-translation of related forward exchange contracts.

19. Reconciliation of movements in funds and reserves

	Group 2010 £'000s	Group 2009 £'000s	LTA 2010 £'000s	LTA 2009 £'000s
At 1st October	140,404	148,913	119,075	121,354
Loss for the financial year	(878)	(8,673)	(1,309)	(2,443)
Movement in hedging reserve	13	164	13	164
At 30th September	139,539	140,404	117,779	119,075

20. Pension commitments

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

The LTA Group Money Purchase Personal Pension Plan is closed for new contributions and members, but has assets which are held in a separate trustee administered fund. The trustees of the scheme are all officers of the Association. All new contributions for the LTA's employees are paid into the LTA Group Personal Pension Plan or private personal pension plans. All LTA pension plans are funded by contributions from the LTA and the employees. Annual contributions to the scheme by the LTA are related to pensionable salaries.

The contributions to the LTA schemes were:

	2010	2009
	£'000s	£'000s
LTA Group Personal Pension Plan	465	440
LTA private personal pension plans	43	43
Total Group contributions	508	483

No contributions were outstanding at the year end (2009: £nil)

21. Financial commitments

At 30th September 2010 the Group had annual commitments under non-cancellable operating leases for assets, other than land and buildings, and other financial commitments as follows:

	2010	2009
	£'000s	£'000s
Operating leases which expire:		
within one year	1	20
within two to five years	429	280
after more than five years	-	-
	430	300

In addition to the commitments under non-cancellable operating leases noted above, there is £896,000 (2009: £752,000) of loans which have been approved for payment to places to play but have not yet been paid out.

At 30th September 2010 the LTA has forward exchange commitments with a fair value gain of £226,000 (2009: loss £56,000) at the year end exchange rate.

22. Related party transactions

The Group has opted to take advantage of the exemption available in Financial Reporting Standard 8: Related Party Disclosures not to disclose transactions between Group entities that have been eliminated on consolidation.

The Championships

The LTA operates a joint arrangement under an agreement for the governance and operation of The Championships with The Club, The Ground Company and The All England Lawn Tennis Club (Wimbledon) Limited. In 2009 and 2010, the Joint Finance Committee of The Championships allocated 100% of the net surplus of The Championships to the LTA. The LTA's share of the surplus of The Championships is based upon the audited financial statements prepared to 31st July 2009 and 2010.

The gross surplus of The Championships amounted to £32,408,000 (2009: £30,612,000). Net of withholding tax and officiating income the surplus receivable by the LTA amounted to £31,002,000 (2009: £29,170,000). The amount due from The Championships at the year end was £16,002,000 (2009: £14,170,000).

The costs of officiating services are charged to The Championships. This represents the LTA's work in partnership with the Association of British Tennis Officials to manage, supply and pay the umpires and other officials each year that work at The Championships. In 2010 the LTA recharged The Championships £862,000 (2009: £917,000) for these services.

In 2010 the LTA received £1,000,000 (2009: £1,000,000) subvention payment from The Championships to help fund and support grass court tournaments in the periods before and after The Championships. The LTA also purchased £1,391,000 (2009: £1,167,000) of tickets at face value from The Championships for onward sale and distribution.

Tennis Foundation

Under agreement, the LTA and the TF run a number of programmes jointly in partnership for the advancement of tennis across the areas of schools, juniors and tennis facilities. 99 employees (2009: 100) are employed jointly by the TF and the LTA to operate and administer these charitable programmes and an appropriate proportion of these costs are recharged to the TF under employment costs.

In 2010 the LTA donated £11,100,000 (2009: £9,400,000) to the TF. During the year the TF was charged £2,207,000 (2009: £2,276,000) for employment costs from the LTA. In addition, the TF was recharged on an arm's length basis £1,577,000 (2009: £840,000) by the LTA for support, administrative and management services to the TF. The amount owed by the TF at the year end was £1,262,000 (2009: owed to £296,000).

During the year The Championships made a charitable donation of £3,000,000 (2009: £3,000,000) to the TF.

The All England Lawn Tennis Ground Plc (The Ground Company)

During the year The Ground Company charged The Championships a facility fee of £13,380,000 (2009: £9,370,000) for the use of the grounds for the tournament. In 2010 the Ground Company charged The Championships costs of £820,000 (2009: £1,487,000) under the Long Term Plan introduced in 1993 for the development of the grounds at Wimbledon.

The LTA has a loan of £6,059,000 owed to The Ground Company. This amount is not repayable before 2013. This loan is unsecured and is interest-free.

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