WORLD RUGBY™

World Rugby

Consolidated Financial Statements
Financial Year Ended 31 December 2018

CONTENTS

GENERAL INFORMATION

Council Members as at 31 December 2018

B Beaumont		Independent Chairman
A Pichot	(Argentina)	Vice Chairman
M Rodriguez	(Argentina)	
C Clyne	(Australia)	
A French	(Australia)	
R Castle	(Australia)	
P Parfrey	(Canada)	
J Webb	(England)	
D Griffin	(England)	
B Laporte	(France)	
S Simon	(France)	
B Jugla	(France)	
G Nijaradze	(Georgia)	
A Petrache	(Georgia)	
J O'Driscoll	(Ireland)	
S Carty	(Ireland)	
P Orr	(Ireland)	
A Gavazzi	(Italy)	
N Sacca	(Italy)	
S Vecchi	(Italy)	
I Kono	(Japan)	
K Asami	(Japan)	
M Robinson	(New Zealand)	
S Tew	(New Zealand)	
D Robinson	(New Zealand)	
M Dodson	(Scotland)	
J Jeffrey	(Scotland)	
L Thomson	(Scotland)	

M Alexander	(South Africa)
J Roux	(South Africa)
B Latham	(USA)
G Davies	(Wales)
A Buchanan	(Wales)
J Paterson	(Wales)
R Sapias	(Oceania Rugby)
C Wong	(Oceania Rugby)
A Bougja	(Rugby Afrique)
D Dwyer	(Rugby Americas North)
C Flores	(Rugby Americas North)
S Pineyrua	(Rugby Americas South Rugby)
C Bentacur	(Rugby Americas South Rugby)
T Gregory	(Asia Rugby)
A Milby	(Asia Rugby)
O Morariu	(Rugby Europe)
V Muehlhofer	(Rugby Europe)

Chief Executive Officer

B Gosper

Principal Bankers

Barclays
1-20 Chenin de Grange-Canal
CH1211 Geneva 3
Switzerland

Bank of Ireland
St Stephen's Green
Dublin 2
Ireland

Auditors

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1

STATEMENT OF COUNCIL'S RESPONSIBILITIES

Statement of Council's responsibilities in respect of the financial statements

World Rugby is the world governing and law-making body of Rugby Union. It is made up of 105 Member Unions and 18 Associate Member Unions. World Rugby Council has a current representation of 45 members including an Independent Chairman and a Vice-Chairman. It is comprised of representatives of Unions and Associations appointed as set out in the World Rugby Bye-Laws and acts in accordance with the powers conferred upon it by the World Rugby Bye-Laws.

The Council is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of World Rugby and of its profit or loss and cash flow for that period. In preparing those financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, 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 the association will continue its objectives.

The Council is responsible for maintaining records which disclose with reasonable accuracy the financial position of the association and its subsidiaries and to enable the Council to ensure that the financial statements have been properly prepared. The Council is also responsible for safeguarding the assets of the association and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

B Beaumont, Chairman

S Tew

Independent auditors' report to the Council of World Rugby

Report on the audit of the non-statutory financial statements

Opinion

In our opinion, World Rugby's group non-statutory financial statements (the "financial statements"):

- give a true and fair view of the group's assets, liabilities and financial position as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the provisions of the World Rugby Bye-Laws.

We have audited the financial statements which comprise:

- the Consolidated Balance Sheet as at 31 December 2018;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

pwc

Reporting on other information

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of Council's Responsibilities set out on page 3, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Council as a body in accordance with the World Rugby Bye-Laws and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the group, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Dublin
27 May 2019

CONSOLIDATED INCOME STATEMENT
Financial Year Ended 31 December 2018

	Note	2018 Stg£	2017 Stg£
Revenue	5	24,085,742	22,662,004
Tournament related expenses		(32,898,957)	(27,656,669)
Grant related expenses	6	(24,212,112)	(21,247,524)
Administration expenses	7	(32,713,317)	(29,394,097)
Other income	8	2,738,867	1,935,645
Other gains	9	607,389	6,189,257
Loss before income tax		(62,392,388)	(47,511,384)
Income tax expense	11	(146,575)	(145,277)
Loss for the year		(62,538,963)	(47,656,661)

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

S Tew

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Financial Year Ended 31 December 2018

	2018 Stg£	2017 Stg£
Loss for the year	(62,538,963)	(47,656,661)
Fair value (loss)/gain on available-for-sale financial assets	(5,378,256)	1,320
Total comprehensive loss for the year	(67,917,219)	(47,655,341)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Financial Year Ended 31 December 2018

	Total equity Stg£
Balance at 31 December 2016	176,838,858
Total comprehensive loss for the year	(47,655,341)
Balance at 31 December 2017	129,183,517
Total comprehensive loss for the year	(67,917,219)
Balance at 31 December 2018	61,266,298

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

S Tew

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	Note	2018 Stg£	2017 Stg£
ASSETS			
Non – current assets			
Property, plant and equipment	12	399,306	636,066
Intangible assets	13	799,736	890,903
Deferred expenditure	14	261,181	6,236,098
Available-for-sale financial assets	15	103,245,817	107,651,568
		104,706,040	115,414,635
Current assets			
Trade and other receivables	16	36,870,642	7,621,635
Deferred expenditure	14	26,467,250	7,665,078
Cash and cash equivalents	17	74,510,672	76,818,510
Restricted cash	18	-	-
		137,848,564	92,105,223
Total assets		242,554,604	207,519,858
EQUITY			
Capital and reserves			
Retained earnings	21	61,266,298	129,183,517
LIABILITIES			
Current liabilities			
Trade and other payables	20	13,784,739	14,024,781
Deferred revenue	19	167,503,567	64,311,560
Total liabilities		181,288,306	78,336,341
Total equity and liabilities		242,554,604	207,519,858

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

S Tew

CONSOLIDATED CASH FLOW STATEMENT
Financial Year Ended 31 December 2018

	Note	2018 Stg£	2017 Stg£
Cash flows from operating activities			
Cash generated from operations	22	32,889,688	20,742,397
Income tax paid		(106,852)	(148,286)
Grant payments		(39,993,190)	(32,075,113)
Net cash (used in) operating activities		(7,210,354)	(11,481,002)
Cash flows from investing activities			
Purchases of property, plant and equipment		(94,107)	(221,582)
Purchases of intangible assets		-	(383,711)
Purchase of available for sale financial assets		(11,196,620)	(26,507,849)
Proceeds on disposal of available for sale financial assets		11,685,965	22,780,422
Interest received		2,738,867	1,935,645
Net cash generated from/(absorbed by) investing activities		3,134,105	(2,397,075)
Cash flows from financing activities			
Decrease in restricted cash		-	856,370
Net cash generated from financing activities		-	856,370
Net (decrease) in cash and cash equivalents		(4,076,249)	(13,021,707)
Exchange gain/(loss) on cash and cash equivalents		1,768,409	(1,198,778)
Cash and cash equivalents at beginning of the year		76,818,512	91,038,995
Cash and cash equivalents at end of the year	17	74,510,672	76,818,510

The notes on pages 11 to 29 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

S Tew

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

World Rugby is the world governing and law-making body of Rugby Union. It is made up of 105 Member Unions and 18 Associate Member Unions. World Rugby is resident in Dublin at World Rugby House, 8 - 10 Pembroke Street Lower, Dublin 2.

These consolidated financial statements which comprise the results of World Rugby and its subsidiary undertakings, collectively referred to as "the Group", have been approved for issue by the Council of World Rugby on 21 May 2019.

2 Summary of significant accounting policies

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

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations adopted by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention, as modified by the measurement of the fair value of available for sale financial assets. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

New Standards, Amendments and Interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have been applied in preparing these financial statements. None of these have had a significant effect on the financial statements of World Rugby, except for the following:

IFRS 9, 'Financial instruments', (effective date: World Rugby financial year beginning 1 January 2018). This standard replaces the guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

World Rugby adopted IFRS 9 from 1 January 2018, with the practical expedient as stated below. In accordance with the transitional provisions, comparative figures have not been restated. The impact of adopting IFRS 9 was not material to World Rugby's consolidated financial statements and there was no adjustment to retained earnings on application at 1 January 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

a) Basis of preparation - continued

New Standards, Amendments and Interpretations - continued

On 1 January 2018 (the date of initial application of IFRS 9),World Rugby's management assessed which business models apply to the financial assets held by World Rugby and classified its financial instruments into the appropriate IFRS 9 categories as follows:

	Original Classification	New Classification	Carrying amount 1 January 2018 £'000
Trade and other receivables	Loans and receivables	Amortised cost	7,622
Cash and cash equivalents	Loans and receivables	Amortised cost	76,819

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 - Financial Instruments: Recognition and Measurement are now classified at amortised cost as World Rugby's business model is to hold the financial asset to collect contractual cash flows.

Trade receivables are subject to the new expected credit loss model in IFRS 9 – Financial Instruments. World Rugby has therefore revised its impairment methodology. World Rugby applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Credit terms offered vary by contract. World Rugby also considered any forward looking macro-economic factors when measuring expected losses.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with World Rugby, and the commencement of legal proceedings. This change in methodology did not have a material impact on World Rugby's financial results.

IFRS 9 - Financial Instruments requires that when a financial liability measured at amortised cost is modified without being derecognised, a gain or loss should be recognised in the income statement. This change in accounting policy did not have a material impact on World Rugby's financial results.

World Rugby has elected to adopt the new general hedge accounting model in IFRS 9. The new hedge accounting does not have an impact on World Rugby's accounting for hedging instruments. World Rugby's risk management practices and documentation has been assessed in line with the new standard and all current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' (effective date: World Rugby financial year beginning 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognized when the uncertainty is resolved. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

a) Basis of preparation - continued

New Standards, Amendments and Interpretations - continued

World Rugby adopted IFRS 15 using the modified retrospective approach on 1 January 2018. World Rugby carried out a review of existing contractual arrangements and determined that there was no material impact for World Rugby's revenue streams. The adoption of IFRS 15, 'Revenue from contracts with customers' resulted in a change to World Rugby's accounting policy for revenue recognition which is outlined below.

New Standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of World Rugby, except for the following:

IFRS 16, 'Leases' (effective date: World Rugby financial year beginning 1 January 2019). This standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lease accounting under IFRS 16. The principal difference to lease accounting at present under IAS 17 is the requirement to bring almost all leases onto the balance sheet except for leases with a term of less than 12 months. World Rugby expects to adopt IFRS 16 by applying the modified retrospective approach and to recognise a lease liability and corresponding right of use asset. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The right of use asset will be an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments and the onerous lease provision. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

World Rugby does not have significant operating leases and the impact is not expected to be significant but the recognition of lease liabilities and right of use assets will be required. Management have reviewed contracts to identify lease arrangements that would need to be recognised under IFRS 16. Based on the impact analysis performed, World Rugby does not expect to recognise a material lease liability or corresponding right of use asset at transition.

There will be a higher income statement charge in the earlier years post-implementation which will unwind over time such that the overall impact of IFRS 16 will be neutral on the income statement over the life of a lease.

In 2018, the operating lease expense recognised in the income statement was £692,174 (2017: £708,169).

Revenue Recognition

Revenue comprises the fair value of consideration receivable for services supplied to external customers in the ordinary course of the World Rugby's activities and excludes inter-company revenue and value added tax.

In general, revenue is recognised to the extent that World Rugby has satisfied its performance obligations to the buyer and the buyer has obtained control of the services being transferred. Revenue derives from the sale of royalties or rights and is generally recognised over the period of satisfaction of the performance obligation, being the duration of the tournament, rather than at a single point in time. The majority of tournaments organised by World Rugby do not straddle accounting dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

a) Basis of preparation - continued

Revenue Recognition - continued

Royalties from the licensing of television rights to broadcast tournaments are recognised on the successful satisfaction of the performance obligation to stage the respective tournament, over the period of the tournament. Instalments received prior to the tournament are deferred as they may be repayable, in whole or in part, at any time up to the completion of the performance obligation to stage the tournament upon the occurrence, for any reasons, of one of more of the following conditions specified in the contract agreements:

- Cancellation and/or rescheduling of the events and/or non-availability of feed of events to the licensee.
- Either party has committed a material breach of any of its obligations which cannot be remedied.
- Either party has committed a material or repeated breach of any of its obligations and fails to remedy such breach.
- The other party goes into liquidation or an administrator or receiver is appointed over the whole or any part of that other party's assets.
- The other party ceases or threatens to cease to carry on business or is removed from the relevant register of companies

Other revenue is generated from the sale of sponsorship rights, hospitality rights and licensing rights. Those which are related to tournaments are deferred until the performance obligation to stage the event has been satisfied, as prior to that they may be repayable in whole or in part upon the occurrence of similar conditions which apply to the broadcasting rights agreements

Revenues are recorded based on the transaction price specified in the sales invoices/contracts net of actual and estimated rebates and any discounts granted. Accumulated experience is used to estimate rebates and discounts using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Where revenues are based on a series of tournaments the transaction price us allocated equally to individual series as the most appropriate basis.

Interest income is recognised on an effective yield basis and dividend income is recognised when the right to receive payment is established.

Revenue Recognition (prior year comparatives under IAS 18)

Royalties from the licensing of television rights to broadcast the Rugby World Cup or other tournaments are recognised on the successful completion of the respective tournament. Instalments received prior to this date are deferred as they may be repayable, in whole or in part, at any time up to the completion of the Rugby World Cup upon the occurrence, for any reasons, of one of more of the following conditions specified in the contract agreements:

- Cancellation and/or rescheduling of the events and/or non-availability of feed of events to the licensee.
- Either party has committed a material breach of any of its obligations which cannot be remedied.
- Either party has committed a material or repeated breach of any of its obligations and fails to remedy such breach.
- The other party goes into liquidation or an administrator or receiver is appointed over the whole or any part of that other party's assets.
- The other party ceases or threatens to cease to carry on business or is removed from the relevant register of companies.

Interest earned on instalments received is for the benefit of World Rugby and is recorded as interest income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

a) Basis of preparation - continued

Other revenue

Other revenue is generated from the sale of sponsorship rights, hospitality rights and licensing rights. Those which are related to the Rugby World Cup tournament are deferred to the year in which the event is held as they may be repayable in whole or in part upon the occurrence of similar conditions which apply to the broadcasting rights agreements. Revenues related to other tournaments are recorded in the period in which the relevant tournament takes place.

Financial income

Interest income is recognised on an effective yield basis and dividend income is recognised when the right to receive payment is established.

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

b) Consolidation

Subsidiaries are all entities over which World Rugby has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether World Rugby controls another entity. World Rugby is made up of a number of subsidiaries, which are listed below:

World Rugby Limited - the company is engaged in providing financial and administrative services to various entities within the World Rugby Group.

World Rugby Tournaments Limited - the principal activity of the company is the promotion of Rugby Union and the organisation and administration of Rugby Union tournaments.

Rugby World Cup Limited - the company's principal activity is the licensing of rights emanating from the ownership of the Rugby World Cup.

World Rugby Trust - the Trust is established for the sole purpose of the promotion and development of Rugby Union worldwide.

World Rugby Services 2019 GK – this company is engaged in the administration of Rugby World Cup 2019.

World Rugby US Incorporated – this company is engaged in the development of Rugby Union in the region of the Americas.

RWC 2003 Limited - company previously involved in the organisation of Rugby World Cup 2003.

World Rugby Strategic Developments DAC – the company is engaged in the promotion of Rugby Union through the Dot Rugby Domain name.

World Rugby Development Limited - this company is the Corporate Trustee of the World Rugby Trust.

Rugby World Cup 2015 (Services) Limited - this company was dissolved during the year.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by World Rugby.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

c) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of World Rugby's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in STG£, which is World Rugby's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(c) Hedge accounting

The company enters into derivative financial instruments to manage the risk on foreign exchange transactions and balances. Hedge accounting is not applied and the fair value of derivatives is carried separately on the balance sheet with fair value gains/losses recorded in the income statement along with the gains/losses on related foreign exchange balances.

d) Property, plant and equipment

World Rugby does not hold any property. All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to World Rugby and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipment	3 years
Fixtures and fittings	5 years
Plant and equipment	25 years
Motor vehicles	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies – continued

d) Property, plant and equipment - continued

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

e) Intangible assets

Rugby World Cup Logo

The Rugby World Cup logo represents costs incurred in registering the logo. The logo is regarded as having an indefinite useful life because, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the entity. The logo is not subject to amortisation and is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. To date an impairment loss has not arisen.

Website development costs

The costs incurred in developing World Rugby's website are capitalised and amortised over 3 years.

Computer software

The costs incurred in developing World Rugby's Enterprise Resource Planning systems are capitalised and amortised over 10 years.

f) Financial assets

Available-for-sale financial assets

World Rugby classifies all of its investments into the available-for-sale category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date – the date on which World Rugby commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and World Rugby has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are dealt with in the statement of comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

f) Financial assets - continued

World Rugby assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that World Rugby will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administration expenses. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables. Subsequent recoveries of previously written off amounts are credited against administration expenses in the income statement.

h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

i) Employee benefits

Pension obligations

World Rugby operates a defined contribution pension plan. A defined contribution plan is a pension plan under which World Rugby pays fixed contributions into a separate entity. World Rugby has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

j) Provisions

Provisions for restructuring costs and legal claims are recognised when World Rugby has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

k) Leases

World Rugby has no finance leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership.

All leases undertaken by World Rugby are operating leases in which a significant portion of the risks and rewards are retained by the lessor. Payments made under such operating leases, excluding contingency payments, are charged to the income statement on a straight – line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2 Summary of significant accounting policies - continued

l) Grants

World Rugby distributes discretionary investment grants through the World Rugby Trust. These are charged to the Income Statement in the year in which the liability to distribute the grant falls due. Unpaid investment grants are accrued. Grants are credited back to the income statement where non-compliance with the terms and conditions applying to their payment result in their non-payment.

3 Financial risk management

Financial risk factors

World Rugby's activities have the potential to expose it to a variety of financial risks including foreign exchange risk, credit risk and interest rate risk. Its overall risk management programme seeks to minimise potential adverse effects on World Rugby's activities. World Rugby uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by World Rugby management under policies approved by the Council of World Rugby. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Foreign exchange risk

World Rugby operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities and when considered appropriate and necessary, entities in the Group use forward contracts, transacted by the Finance Department. Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

(b) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

(c) Fair value and cash flow interest rate risk

Interest rate risk arises from cash deposits and variable interest available-for-sale securities. The group monitors the impact of interest rate movements on the fair value and interest income received from financial instruments that are subject to the variable rate.

(d) Credit risk

World Rugby has no significant concentrations of credit risk. Substantially all of its revenues are generated from the licensing of television broadcasting rights and other commercial rights and World Rugby believes that that all amounts due under such rights are fully collectible.

(e) Liquidity risk

World Rugby holds significant cash deposits and as a result does not have any significant liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

World Rugby makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, World Rugby considers that there are no significant estimates, judgements or assumptions applied in the current financial year as a result of which there is a risk of causing a material adjustment to the carrying amounts of assets and liabilities.

5 Revenue

	2018 Stg£	2017 Stg£
Revenue is analysed as follows:		
Broadcasting	1,877,872	1,935,864
Sponsorship	17,916,892	14,798,744
Merchandising and other income	4,290,978	5,927,396
	24,085,742	22,662,004

6 Grant related expenses

During 2018 World Rugby incurred £24,212,112 of grant expenditure, which was distributed to tournaments and member unions (2017: £21,247,524).

7 Administration expenses by nature

	2018 Stg£	2017 Stg£
Depreciation (note 12)	422,036	459,085
Employee benefit expense (note 10)	11,231,186	9,778,571
Finance and administration expenses	7,156,232	6,460,235
Development and member services	10,557,191	8,930,235
Other expenses	3,346,672	3,765,971
Total administrative expenses	32,713,317	29,394,097

	2018 Stg£	2017 Stg£
Finance and administration expenses include:		
Audit fee	25,215	38,780
Council member attendance fees	709,250	603,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

8 Other income

	2018 Stg£	2017 Stg£
Income from financial assets	2,738,867	1,935,645

9 Other gains - net

	2018 Stg£	2017 Stg£
Gain arising on the disposal of available for sale financial assets	1,461,848	4,414,056
Foreign exchange gains/(losses)	(854,459)	1,775,201
	607,389	6,189,257

10 Employee benefit expense

	2018 Stg£	2017 Stg£
Employee benefit expenses comprise:		
Wages and salaries	9,831,269	8,578,333
Social security costs	938,995	790,356
Pension costs – defined contribution plans	460,922	409,882
Total employment benefits expense	11,231,186	9,778,571

	2018 Number	2017 Number
The average number of persons employed by the group during the financial year was:		
Development	25	26
Administration	42	36
Tournaments	44	37
	111	99

11 Income tax expense

	2018 Stg£	2017 Stg£
Income tax expense	146,575	145,277

Under Irish tax law World Rugby is largely exempt from paying tax. A minimal taxation expense was incurred in the current financial period. This expense arose within the following entities:

- World Rugby Limited
- World Rugby Services 2019 GK
- World Rugby US Incorporated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12 Property, plant and equipment

	Computer equipment Stg£	Fixtures and fittings Stg£	Plant and equipment Stg£	Total Stg£
Year ended 31 December 2017				
Opening net book amount	217,996	588,057	-	806,053
Additions	221,582	-	-	221,582
Depreciation charge	(195,151)	(196,418)	-	(391,569)
Closing net book amount	244,427	391,639	-	636,066
At 31 December 2017				
Cost	875,153	980,754	-	1,855,907
Accumulated depreciation	(630,726)	(589,115)	-	(1,219,841)
Net book amount	244,427	391,639	-	636,066
Year ended 31 December 2018				
Opening net book amount	244,427	391,639	-	636,066
Additions	90,634	3,474	-	94,108
Depreciation charge	(133,927)	(196,941)	-	(330,868)
Closing net book amount	201,134	198,172	-	399,306
At 31 December 2018				
Cost	965,786	984,228	-	1,950,014
Accumulated depreciation	(764,652)	(786,056)	-	(1,550,708)
Net book amount	201,134	198,172	-	399,306

The depreciation expense has been charged entirely within “administration expenses”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13 Intangible assets

	Rugby World Cup Logo Stg£	Computer software Stg£	Total Stg£
Year ended 31 December 2017			
Opening net book amount	77,002	497,707	574,709
Additions	-	383,711	383,711
Amortisation charge	-	(67,517)	(67,517)
Closing net book amount	77,002	813,901	890,903
At 31 December 2017			
Cost	77,002	911,278	988,280
Accumulated amortisation and impairment	-	(97,377)	(97,377)
Net book amount	77,002	813,901	890,903
Year ended 31 December 2018			
Opening net book amount	77,002	813,901	890,903
Additions	-	-	-
Amortisation charge	-	(91,167)	(91,167)
Closing net book amount	77,002	722,734	799,736
At 31 December 2018			
Cost	77,002	911,278	988,280
Accumulated amortisation and impairment	-	(188,544)	(188,544)
Net book amount	77,002	722,734	799,736

The Rugby World Cup Logos are considered to have an indefinite life because it is considered that there is no foreseeable limit to the period over which this asset is expected to generate cash flows. As the cash inflows to World Rugby as a result of the successful completion of the World Cup tournaments are expected to be significantly in excess of the net book amount of these intangible assets no impairment is considered to have taken place.

14 Deferred expenditure

	2018 Stg£	2017 Stg£
Broadcasting	12,412,979	3,300,170
Sponsorship	4,026,500	2,700,250
Licensing, merchandising and other	4,740,236	235,677
Tournament related expenses	5,548,716	7,665,078
	26,728,431	13,901,175
Beginning of the year	13,901,175	4,765,070
Deferred during the period	20,492,334	12,854,859
Released to expenditure	(7,665,078)	(3,718,754)
End of the year	26,728,431	13,901,175

At 31 December 2018 deferred expenditure included Stg£26,467,250 recognisable within one year (2017 Stg£7,665,078).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15 Available-for-sale financial assets

	2018 Stg£	2017 Stg£
Beginning of the year	107,651,568	99,508,767
Additions	11,196,621	26,507,848
Disposals	(10,224,116)	(18,366,367)
Revaluation (deficit)/surplus	(5,378,256)	1,320
End of the year	103,245,817	107,651,568

There were no impairment provisions on available-for-sale financial assets in 2018 or 2017.

	2018 Stg£	2017 Stg£
Available-for-sale financial assets includes the following:		
Listed securities:		
– Equity securities – eurozone countries	10,529,563	23,937,186
– Equity securities – US	18,266,672	15,033,184
– Equity securities – UK	6,888,992	5,786,910
– Equity securities – other	30,134,620	25,973,516
	65,819,847	70,730,796
– Interest securities – eurozone countries	7,127,416	18,057,202
– Interest securities – US	10,028,236	6,525,035
– Interest securities – UK	13,448,090	10,536,285
– Interest securities – other	6,822,228	1,802,250
	37,425,970	36,920,772
	103,245,817	107,651,568

At 31 December 2018 retained earnings included a cumulative surplus of Stg£12,532,950 (2017 surplus of Stg£17,911,205) in respect of unrealised fair value gains on available for sale financial assets.

The maximum exposure to credit risk at the reporting date is the fair value of the securities classified as available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Trade and other receivables

	2018 £	2017 £
Trade receivables	19,476,379	3,125,035
Prepayments and other receivables	4,719,263	2,090,986
Grants paid in advance	12,675,000	2,405,614
	36,870,642	7,621,635

The carrying amount of trade and other receivables and grants paid in advance represents the maximum credit exposure. Other receivables at 31 December 2018 include a loan to USA Rugby of US$3.2 million (£2,498,505) which represents a loan made by World Rugby Limited during 2018 at an interest rate of 1%. The loan is repayable in full over five years. £1,902,673 falls due after one year.

	2018 £	2017 £
Movement in impairment provision		
At 1 January	206,667	39,400
Written off during the year	-	(39,400)
Written back during the year	(203,333)	-
Additional provision	25,187	208,667
At 31 December	28,521	206,667

The maximum exposure to credit risk for trade debtors and other receivables at the reporting date by geographic region was as follows:

	Carrying amount 2018 £	Carrying amount 2017 £
UK/Ireland	2,812,126	592,324
Europe	13,545,050	208,090
Oceania	460,389	83,196
Americas	302,741	97,188
Rest of world	2,356,073	2,144,237
	19,476,379	3,125,035

Given the nature of World Rugby's operations standard credit terms do not apply. At the year-end none of the unimpaired trade receivables were considered to be overdue. Prepayments do not contain any impaired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16 Trade and other receivables - continued

The ageing of trade and other receivables, under the expected credit loss model, at 31 December 2018 was:

	Gross value £	Impairment £	Carrying value £	Weighted average loss rate %
Not Past Due	19,683,046	(206,667)	19,476,379	-
Past Due	-	-	-	-
0-30 days	-	-	-	-
30-60 days	-	-	-	-
+60 days	-	-	-	-
	19,683,046	(206,667)	19,476,379	-

The ageing of trade and other receivables, under IAS 39, at 31 December 2017 was:

	Gross value £	Impairment £	Carrying value £
Not Past Due	3,153,556	(28,521)	3,125,035
Past Due	-	-	-
0-30 days	-	-	-
30-60 days	-	-	-
+60 days	-	-	-
	3,153,556	(28,521)	3,125,035

17 Cash and cash equivalents

	2018 Stg£	2017 Stg£
Cash at bank and in hand	30,183,037	29,774,150
Short-term bank deposits	44,327,635	47,044,360
	74,510,672	76,818,510

The effective interest rate was 0.6% on GBP short-term bank deposits and 2.05% on USD short-term bank deposits; these deposits are fiduciary call deposits.

Cash at bank and in hand and all deposits are held with financial institutions with a Standard and Poor's A rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18 Restricted cash

Restricted cash relates to an amount on deposit as a guarantee in respect of a loan extended by the banking institution to a member union. This loan was repaid by the member union during the year.

19 Deferred revenue

	2018 Stg£	2017 Stg£
Broadcasting	74,206,581	24,118,021
Sponsorship	68,832,500	33,432,500
Licensing, merchandising and other	9,571,145	3,519,661
Tournament related expenses	20,893,341	3,241,378
	167,503,567	64,311,560

	2018 Stg£	2017 Stg£
Beginning of the year	64,311,560	23,561,001
Deferred during the period	106,509,043	45,703,801
Released to income	(3,317,036)	(4,953,241)
End of the year	167,503,567	64,311,560

At 31 December 2018 deferred revenue included Stg£140,515,918 recognisable within one year (2017 Stg£3,317,036).

20 Trade and other payables

	2018 Stg£	2017 Stg£
Trade payables	2,593,936	5,317,064
Accrued expenses	10,331,505	7,892,300
Payroll tax payable	754,515	754,253
Other creditors	47,074	40,938
Corporation tax payable	58,709	20,226
	13,784,739	14,024,781

There is no difference in the fair value of trade and other payables and the amounts stated above.

21 Retained earnings

The retained earnings balance includes a non-distributable Catastrophic Injury Reserve of Stg£9,526,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22 Cash generated from operations

	2018 Stg£	2017 Stg£
(Loss) for the period before taxation	(62,392,386)	(47,511,382)
Adjustments for:		
- Depreciation (note 12)	422,036	459,085
- Profit on disposal of available for sale financial assets	(1,461,849)	(4,414,056)
- Interest income	(2,738,867)	(1,935,645)
- Grants	31,460,681	28,166,177
- Loss on foreign exchange	(1,870,808)	1,201,972
Changes in operating capital		
- Trade and other receivables	(19,244,619)	7,975,913
- Trade and other payables	(1,649,251)	5,185,879
- Deferred revenue	103,192,007	40,750,559
- Deferred expenses	(12,827,256)	(9,136,105)
Cash generated from operations	32,889,688	20,742,397

23 Commitments

World Rugby has made commitments to its Member Unions to pay grants at a level of approximately Stg£83.756m over the next year including High Performance, Development, Tournament and Union Fund grant expenditure.

World Rugby Tournaments Limited, an entity wholly owned by World Rugby, has entered into firm commitments to pay participation fees of Stg£2m and Host Union Tournament marketing fees of Stg£9.1m for the 2018/2019 HSBC Sevens.

World Rugby, through its wholly owned entity, Rugby World Cup Limited, has entered into a formal agreement with the JRFU awarding them the right to host the Rugby World Cup in Japan in 2019.

World Rugby, through its wholly owned entity, Rugby World Cup Limited, has entered into a general agreement with the New Zealand Rugby Union awarding them the right to host Women's Rugby World Cup in New Zealand in 2021.

World Rugby, through its wholly owned entity, Rugby World Cup Limited, has entered into a formal agreement with the Fédération Française de Rugby awarding them the right to host the Rugby World Cup in France in 2023.

Operating lease commitments

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018 Stg£	2017 Stg£
Not later than one year	674,371	664,785
Later than one and no later than five years	2,697,484	2,659,142
Later than five years	1,798,322	2,437,547
	5,170,177	5,761,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24 Contingencies

World Rugby is currently engaged in a small number of legal matters which the World Rugby Council and Management believe are fully provided for in the accounts.

25 Key Management compensation

Key Management includes non-executive directors of the Executive Committee, non-executive directors of Rugby World Cup Limited, the Chief Executive Officer, the Chief Operating Officer and the Company Secretary.

The compensation paid or payable to key management for fees and employee services is shown below:

	2018 Stg£	2017 Stg£
Salaries and other short-term employee benefits	1,777,260	1,717,845
Post-employment benefits	66,436	63,319
Other benefits	-	-
	1,843,696	1,781,163

26 Approval of financial statements

The financial statements were approved by the Council on 23 May 2019.