



World Rugby

**Consolidated Financial
Statements**

**Financial Year Ended
31 December 2016**

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GENERAL INFORMATION

Council Members as at 31 December 2016

| | | |
|-----------------|------------------------------|------------------------|
| B Beaumont | | (Independent) Chairman |
| A Pichot | (Argentina) | Vice Chairman |
| C Araujo | (Argentina) | |
| B Robinson | (Australia) | |
| B Pulver | (Australia) | |
| P Parfrey | (Canada) | |
| J Webb | (England) | |
| I Ritchie | (England) | |
| P Camou | (France) | |
| J Laurans | (France) | |
| G Nijaradze | (Georgia) | |
| P Whelan | (Ireland) | |
| J O'Driscoll | (Ireland) | |
| A Gavazzi | (Italy) | |
| Giancarlo Dondi | (Italy) | |
| I Kono | (Japan) | |
| M Robinson | (New Zealand) | |
| S Tew | (New Zealand) | |
| H Dumitras | (Romania) | |
| M Dodson | (Scotland) | |
| J Jeffrey | (Scotland) | |
| M Alexander | (South Africa) | |
| J Roux | (South Africa) | |
| B Latham | (USA) | |
| G Davies | (Wales) | |
| A Buchanan | (Wales) | |
| R Sapias | (Oceania Rugby) | |
| A Bougja | (Rugby Afrique) | |
| D Dwyer | (Rugby Americas North) | |
| M Rodriguez | (Rugby Americas South Rugby) | |
| T Gregory | (Rugby Asia) | |
| O Morariu | (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 Registered Auditors
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 lawmaking body of Rugby Union. It is made up of 103 Member Unions and 18 Associate Member Unions. World Rugby Council has a current representation of 30 voting members, a Vice Chairman and an Independent 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



B Gosper, CEO



S Tew



10 May 2017



Independent auditors' report to the Council of World Rugby

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the group's assets, liabilities and financial position as at 31 December 2016 and of its loss and cash flows for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

What we have audited

The financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cashflow 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 summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union.

In applying the financial reporting framework, the Council have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Council

As explained more fully in the Statement of Council's Responsibilities set out on page 3, the 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 and express an opinion on 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 opinion, has been prepared for and only for the Council as a body in accordance with the Council Agreement 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 council, save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Council; and
- the overall presentation of the financial statements.



We primarily focus our work in these areas by assessing the Council' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A handwritten signature in black ink that reads "Paul W O'Connor".

Paul W O'Connor
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

18 May 2017

CONSOLIDATED INCOME STATEMENT
Year Ended 31 December 2016

| | Notes | 2016 Stg£ | 2015 Stg£ |
|--|-------|---------------------|--------------------|
| Revenue | 5 | 30,846,907 | 344,853,513 |
| Tournament related expenses | | (21,039,925) | (46,302,979) |
| Grant related expenses | 6 | (18,072,304) | (85,591,486) |
| Administration expenses | 7 | (28,377,877) | (23,729,043) |
| Other income | 8 | 1,755,756 | 1,652,488 |
| Other gains/(losses) | 9 | <u>(1,234,314)</u> | <u>(1,231,339)</u> |
| (Loss)/profit before income tax | | (36,121,757) | 189,651,154 |
| Income tax expense | 11 | <u>(51,448)</u> | <u>(71,900)</u> |
| (Loss)/profit for the year | | <u>(36,173,205)</u> | <u>189,579,254</u> |

The notes on pages 9 to 23 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

B Gosper, CEO

S Tew

10 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2016

| | 2016 Stg£ | 2015 Stg£ |
|---|---------------------|--------------------|
| (Loss)/profit for the year | (36,173,205) | 189,579,254 |
| Fair value gain/(loss) on available for sale financial assets | <u>11,980,771</u> | <u>(56,525)</u> |
| Total comprehensive loss for the year | <u>(24,192,434)</u> | <u>189,522,729</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 31 December 2016

| | Total equity Stg£ |
|---|----------------------|
| Balance at 31 December 2014 | 11,508,561 |
| Total comprehensive profit for the year | <u>189,522,729</u> |
| Balance at 31 December 2015 | 201,031,290 |
| Total comprehensive loss for the year | <u>(24,192,434)</u> |
| Balance at 31 December 2016 | <u>176,838,856</u> |

The notes on pages 10 to 23 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

B Gosper, CEO

S Tew

10 May 2017

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

| | Notes | 2016 Stg£ | 2015 Stg£ |
|-------------------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Non – current assets | | | |
| Property, plant and equipment | 12 | 806,053 | 1,208,545 |
| Intangible assets | 13 | 574,709 | 77,002 |
| Deferred expenditure | 14 | 4,765,070 | - |
| Available-for-sale financial assets | 15 | 99,508,767 | 87,512,197 |
| | | <u>105,654,599</u> | <u>88,797,744</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 13,221,021 | 63,327,295 |
| Cash and cash equivalents | 17 | 91,038,995 | 72,058,209 |
| Restricted cash | 18 | 856,370 | 781,067 |
| | | <u>105,116,386</u> | <u>136,166,571</u> |
| Total assets | | <u>210,770,985</u> | <u>224,964,315</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Retained earnings | 21 | <u>176,838,856</u> | <u>201,031,290</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | 10,371,128 | 22,014,576 |
| Deferred revenue | 19 | 23,561,001 | 1,918,449 |
| Total liabilities | | <u>33,932,129</u> | <u>23,933,025</u> |
| Total equity and liabilities | | <u>210,770,985</u> | <u>224,964,315</u> |

The notes on pages 10 to 23 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

B Gosper, CEO

S Tew

10 May 2017

CONSOLIDATED CASH FLOW STATEMENT
Year Ended 31 December 2016

| | Note | 2016 Stg£ | 2015 Stg£ |
|---|------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 22 | 46,468,038 | 119,913,326 |
| Income tax paid | | (68,445) | (49,612) |
| Grant payments | | (24,440,109) | (84,282,565) |
| Net cash generated by / (used in) operating activities | | <u>21,959,484</u> | <u>35,581,149</u> |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (21,132) | (492,360) |
| Purchases of intangible asset | | (527,568) | - |
| Purchase of available for sale financial assets | | (23,326,360) | (17,438,500) |
| Proceeds on disposal of available for sale financial assets | | 26,725,822 | 27,653,719 |
| Interest received | | 1,384,246 | 1,652,488 |
| Net cash generated from investing activities | | <u>4,235,008</u> | <u>11,375,218</u> |
| Cash flows from financing activities | | | |
| Increase in restricted cash | | - | - |
| Net cash generated from financing activities | | <u>-</u> | <u>-</u> |
| Net increase in cash and cash equivalents | | 26,194,492 | 46,956,496 |
| Exchange gain/(loss) on cash and cash equivalents | | (7,213,706) | 2,059,599 |
| Cash and cash equivalents at beginning of the year | | <u>72,058,209</u> | <u>23,042,114</u> |
| Cash and cash equivalents at end of the year | | <u>91,038,995</u> | <u>72,058,209</u> |

The notes on pages 10 to 23 are an integral part of these consolidated financial statements.

B Beaumont, Chairman

B Gosper, CEO

S Tew

10 May 2017

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 103 Member Unions and 17 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 10 May 2017.

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.

(a) New and amended standards adopted by the group

There are a number of new standards and other changes to IFRS which became effective in 2016, however, they either did not have an effect on the Consolidated Financial Statements or they are not currently relevant for the Group.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have had a material impact on the group.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. The group has not early adopted these standards in preparing these consolidated financial statements. These include:

Financial Instruments

IFRS 9, Financial Instruments, is the standard which will replace IAS 39, Financial Instruments: Recognition and Measurement. It has been completed in a number of phases with the final version issued by the IASB in July 2014. The Standard includes requirements for recognition, measurement, impairment and derecognition of financial instruments, and general hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, and subject to EU endorsement, the Group will apply IFRS 9 from its effective date. The adoption of IFRS 9 is not expected to have a material impact on the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies – continued

A Basis of preparation - continued

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue and IAS 11, Construction contracts and related interpretations. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It specifies how and when revenue should be recognised as well as requiring enhanced disclosures. Revenue is recognised when an identified performance obligation has been met and the customer can direct the use of and obtain substantially all the remaining benefits from a good or service as a result of obtaining control of that good or service. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, and subject to EU endorsement, the Group will apply IFRS 15 from its effective date. The Group is currently assessing the impact of IFRS 15 but does not believe that its adoption will result in material measurement difference.

Leases

IFRS 16, Leases issued in January 2016 by the IASB replaces IAS 17 Leases and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. For lessees, IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby all leases are accounted for as finance leases, with some exemptions. For lessors, IFRS16 substantially carried forward the accounting requirement in IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, and subject to EU endorsement, the Group will apply IFRS 16 from its effective date. The Group is currently assessing the impact of IFRS 16.

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.

RWC 2003 Limited – non-trading entity company previously involved in the organisation of Rugby World Cup 2003.

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

World Rugby Strategic Developments Limited – the company is engaged in the application for the Dot Rugby Domain name.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies – continued

B Consolidation - continued

Rugby World Cup 2015 (Services) Limited - this company was engaged in the administration of Rugby World Cup 2015.

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

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.

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.

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 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies – continued

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies - continued

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 Revenue recognition

Royalties from the licensing of rights to broadcast the Rugby World Cup are recognised on the successful completion of the respective Rugby World Cup 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

2 Summary of significant accounting policies - continued

K Revenue recognition - 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.

L 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.

M 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management - continued**Financial risk factors - continued***(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 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.

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 | 2016 Stg£ | 2015 Stg£ |
|------------------|--------------|--------------|

Revenue is analysed as follows:

| | | |
|--------------------------------|-------------------|--------------------|
| Broadcasting | 2,687,984 | 128,970,501 |
| Sponsorship | 14,102,671 | 64,834,992 |
| Merchandising and other income | 14,056,252 | 151,048,020 |
| | <u>30,846,907</u> | <u>344,853,513</u> |

6 Grant related expenses

During 2016 World Rugby incurred £18,072,304 of grant expenditure, which was distributed to tournaments and member unions. (2015: £85,591,486).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| 7 Administration expenses by nature | 2016 Stg£ | 2015 Stg£ |
|--|--------------------------|--------------------------|
| Depreciation (note 12) | 453,486 | 373,027 |
| Employee benefit expense (note 10) | 8,418,266 | 8,033,515 |
| Finance and administration expenses | 6,782,606 | 5,221,545 |
| Development and member services | 9,017,284 | 6,807,528 |
| Other expenses | 3,706,235 | 3,293,428 |
| Total administrative expenses | <u>28,377,877</u> | <u>23,729,043</u> |

| | 2016 Stg£ | 2015 Stg£ |
|--|----------------|----------------|
| Finance and administration expenses include: | | |
| Audit fee | 26,000 | 27,553 |
| Council member attendance fees | <u>421,000</u> | <u>388,500</u> |

| 8 Other income | 2016 Stg£ | 2015 Stg£ |
|------------------------------|------------------|------------------|
| Income from financial assets | <u>1,755,756</u> | <u>1,652,488</u> |

| 9 Other gains - net | 2016 Stg£ | 2015 Stg£ |
|---|---------------------------|---------------------------|
| Gain arising on the disposal of available for sale financial assets | 3,415,264 | 1,042,166 |
| Foreign exchange (losses)/gains | <u>(4,649,578)</u> | <u>(2,273,505)</u> |
| | <u>(1,234,314)</u> | <u>(1,231,339)</u> |

| 10 Employee benefit expense | 2016 Stg£ | 2015 Stg£ |
|--|-------------------------|-------------------------|
| Employee benefit expenses comprise: | | |
| Wages and salaries | 7,287,957 | 6,902,085 |
| Social security costs | 760,906 | 778,572 |
| Pension costs – defined contribution plans | 369,403 | 352,858 |
| Total employment benefits expense | <u>8,418,266</u> | <u>8,033,515</u> |

| | 2016 Number | 2015 Number |
|--|----------------|----------------|
| The average number of persons employed by the company during the financial year was: | | |
| Development | 28 | 23 |
| Administration | 25 | 25 |
| Tournaments | 33 | 35 |
| | <u>86</u> | <u>83</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | | |
|------------------------------|---------------|---------------|
| 11 Income tax expense | 2016 Stg£ | 2015 Stg£ |
| Income tax expense | <u>51,448</u> | <u>71,900</u> |

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
- RWC 2003 Limited
- World Rugby Tournaments Limited
- Rugby World Cup 2015 (Services) Limited
- World Rugby Services 2019 GK

| 12 Property, plant and equipment | Computer equipment Stg£ | Fixtures and fittings Stg£ | Plant & equipment Stg£ | Total Stg£ |
|---|--|---|---|-----------------------|
| Year ended 31 December 2015 | | | | |
| Opening net book amount | 372,705 | 709,952 | 6,555 | 1,089,212 |
| Additions | 202,171 | 290,189 | - | 492,360 |
| Depreciation charge | <u>(164,841)</u> | <u>(201,631)</u> | <u>(6,555)</u> | <u>(373,027)</u> |
| Closing net book amount | <u>410,035</u> | <u>798,510</u> | <u>-</u> | <u>1,208,545</u> |
| At 31 December 2015 | | | | |
| Cost | 1,675,195 | 2,288,919 | 225,261 | 4,189,375 |
| Accumulated depreciation | <u>(1,265,160)</u> | <u>(1,490,409)</u> | <u>(225,261)</u> | <u>(2,980,830)</u> |
| Net book amount | <u>410,035</u> | <u>798,510</u> | <u>-</u> | <u>1,208,545</u> |
| Year ended 31 December 2016 | | | | |
| Opening net book amount | 410,036 | 798,510 | - | 1,208,546 |
| Additions | 16,000 | 5,132 | - | 21,132 |
| Depreciation charge | <u>(208,040)</u> | <u>(215,585)</u> | <u>-</u> | <u>(423,625)</u> |
| Closing net book amount | <u>217,996</u> | <u>588,057</u> | <u>-</u> | <u>806,053</u> |
| At 31 December 2016 | | | | |
| Cost | 653,612 | 1,072,749 | - | 1,726,361 |
| Accumulated depreciation | <u>(435,616)</u> | <u>(484,692)</u> | <u>-</u> | <u>(920,308)</u> |
| Net book amount | <u>217,996</u> | <u>588,057</u> | <u>-</u> | <u>806,053</u> |

The depreciation expense has been charged entirely within "administration expenses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| 13 Intangible assets | Rugby World Cup Logo Stg£ | Computer software Stg£ | Total Stg£ |
|---|---------------------------------|------------------------------|----------------|
| Year ended 31 December 2015 | | | |
| Opening net book amount | 77,002 | - | 77,002 |
| Amortisation charge | - | - | - |
| Closing net book amount | <u>77,002</u> | <u>-</u> | <u>77,002</u> |
| At 31 December 2015 | | | |
| Cost | 77,002 | - | 77,002 |
| Accumulated amortisation and impairment | - | - | - |
| Net book amount | <u>77,002</u> | <u>-</u> | <u>77,002</u> |
| Year ended 31 December 2016 | | | |
| Opening net book amount | 77,002 | - | 77,002 |
| Additions | - | 527,568 | 527,568 |
| Amortisation charge | - | (29,861) | (29,861) |
| Closing net book amount | <u>77,002</u> | <u>497,707</u> | <u>574,709</u> |
| At 31 December 2016 | | | |
| Cost | 77,002 | 527,568 | 604,570 |
| Accumulated amortisation and impairment | - | (29,861) | (29,861) |
| Net book amount | <u>77,002</u> | <u>497,707</u> | <u>574,709</u> |

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 | 2016 Stg£ | 2015 Stg£ |
|------------------------------------|------------------|--------------|
| Broadcasting | 436,959 | - |
| Sponsorship | 395,250 | - |
| Licensing, merchandising and other | 214,110 | - |
| Tournament related expenses | 3,718,751 | - |
| | <u>4,765,070</u> | <u>-</u> |
| Beginning of the year | - | 7,132,170 |
| Deferred during the period | 4,765,070 | - |
| Released to expenditure | - | 7,132,170 |
| End of the year | <u>4,765,070</u> | <u>-</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| 15 Available-for-sale financial assets | 2016 Stg£ | 2015 Stg£ |
|---|-------------------|-------------------|
| Beginning of the year | 87,512,197 | 96,741,775 |
| Additions | 23,326,360 | 17,438,500 |
| Disposals | (23,310,561) | (26,611,553) |
| Revaluation gain/(loss) | 11,980,771 | (56,525) |
| End of the year | <u>99,508,767</u> | <u>87,512,197</u> |

There were no impairment provisions on available-for-sale financial assets in 2016 or 2015.

| | 2016 Stg£ | 2015 Stg£ |
|---|-------------------|-------------------|
| Available-for-sale financial assets includes the following: | | |
| Listed securities: | | |
| – Equity securities – eurozone countries | 44,066,233 | 35,662,114 |
| – Equity securities – US | 5,402,725 | 5,924,041 |
| – Equity securities – UK | 11,041,033 | 9,599,569 |
| – Equity securities – other | 12,192,042 | 5,725,301 |
| | <u>72,702,033</u> | <u>56,871,025</u> |
| – Interest securities – eurozone countries | 7,793,881 | 15,784,037 |
| – Interest securities – US | 6,303,297 | 5,454,545 |
| – Interest securities - UK | 12,709,556 | 9,402,590 |
| | <u>26,806,734</u> | <u>30,641,172</u> |
| | <u>99,508,767</u> | <u>87,512,197</u> |

At 31 December 2016 retained earnings included a cumulative surplus of Stg£17,909,885 (2015 surplus of Stg£8,367,895) 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.

| 16 Trade and other receivables | 2016 Stg£ | 2015 Stg£ |
|---|-------------------|-------------------|
| Trade receivables | 9,887,628 | 58,258,265 |
| Less: provision for impairment of receivables | (57,685) | - |
| Trade receivables – net | <u>9,829,943</u> | <u>58,258,265</u> |
| Prepayments | 3,391,078 | 5,069,030 |
| | <u>13,221,021</u> | <u>63,327,295</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables - continued

There is no difference between the fair value of trade and other receivables and the amounts stated above. The movement and the provision for impairment of receivables reflects a charge to the income statement during the year which was included in "administration expenses". Given the nature of World Rugby's operations standard credit terms do not apply. At the year end date none of the unimpaired trade receivables above were considered to be overdue. Prepayments do not contain any impaired assets. The maximum exposure to credit risk is the carrying value of each receivable noted above. World Rugby does not hold any collateral as security.

| 17 Cash and cash equivalents | 2016 Stg£ | 2015 Stg£ |
|-------------------------------------|-------------------|-------------------|
| Cash at bank and in hand | 8,611,515 | 9,134,971 |
| Short-term bank deposits | 82,427,480 | 63,704,310 |
| | <u>91,038,995</u> | <u>72,839,281</u> |

The effective interest rate was 0.25% on GBP short-term bank deposits and 0.92% 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 Poors' A rating.

18 Restricted cash

Restricted cash relates to an amount on deposit as a guarantee in respect of a loan extended by a banking institution to a member union.

| 19 Deferred revenue | 2016 Stg£ | 2015 Stg£ |
|------------------------------------|-------------------|------------------|
| Broadcasting | 8,622,960 | 255,296 |
| Sponsorship | 7,445,000 | 1,663,153 |
| Licensing, merchandising and other | 2,614,562 | - |
| Tournament related expenses | 4,878,479 | - |
| | <u>23,561,001</u> | <u>1,918,449</u> |
| Beginning of the year | 1,918,449 | 126,613,721 |
| Deferred during the period | 23,481,001 | 1,918,449 |
| Released to income | (1,838,449) | (126,613,721) |
| End of the year | <u>23,561,001</u> | <u>1,918,449</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| 20 Trade and other payables | 2016 Stg£ | 2015 Stg£ |
|------------------------------------|-------------------|-------------------|
| Trade payables | 5,749,458 | 6,880,900 |
| Accrued expenses | 4,036,413 | 15,098,295 |
| Payroll tax payable | 543,144 | - |
| Corporation tax payable | 42,113 | 35,381 |
| | <u>10,371,128</u> | <u>22,014,576</u> |

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.

22 Cash generated from operations

| | 2016 Stg£ | 2015 Stg£ |
|---|-------------------|--------------------|
| Profit/(loss) for the period before taxation | (36,121,757) | 189,651,154 |
| Adjustments for: | | |
| - Depreciation and amortisation | 453,486 | 373,027 |
| - Profit on disposal of available for sale financial assets | (3,415,264) | (1,042,166) |
| - Interest income | (1,384,246) | (1,652,488) |
| - Grants | 18,072,304 | 85,591,486 |
| - Loss on foreign exchange | 7,159,359 | (1,898,569) |
| Changes in operating capital | | |
| - Trade and other receivables | 50,696,697 | (41,681,176) |
| - Trade and other payables | (5,870,021) | 8,135,160 |
| - Deferred revenue | 21,642,552 | (124,695,272) |
| - Deferred expenses | (4,765,072) | 7,132,170 |
| Cash generated from operations | <u>46,468,038</u> | <u>119,913,326</u> |

23 Commitments

World Rugby has made commitments to provide a total of approximately Stg£8.88m in High Performance funding over the next year.

World Rugby has made commitments to its Member Unions to pay grants at a level of approximately Stg£8.305m over the next year.

World Rugby Tournaments Limited, an entity wholly owned by World Rugby, has entered into firm commitments to pay annual participation fees of Stg£1.94m and Host Union Tournament marketing fees of Stg£7.67m for the 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 formal agreement with USA Rugby awarding them the right to host Rugby World Cup Sevens in 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Commitments - continued

World Rugby, through its wholly owned entity, Rugby World Cup Limited, has entered into a formal agreement with the IRFU awarding them the right to host Women's World Cup in 2017.

World Rugby Limited, an entity wholly owned by World Rugby, has entered into a forward contract to sell Japanese Yen for GBP in 2018. The JRFU has formally contracted to pay the Japanese Yen amount to World Rugby Limited and receive the GBP amount. The arrangements have been included in the balance sheet at 31 December 2016 at their net fair value.

Operating lease commitments

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

| | 2016 Stg£ | 2015 Stg£ |
|---|------------------|------------------|
| Not later than one year | 638,928 | 676,303 |
| Later than one and no later than five years | 2,555,709 | 2,156,717 |
| Later than five years | <u>2,981,661</u> | <u>3,055,349</u> |
| | <u>6,176,298</u> | <u>5,888,369</u> |

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 directors (both executive and non-executive), members of the Executive Committee and the Company Secretary.

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

| | 2016 Stg£ | 2015 Stg£ |
|---|------------------|------------------|
| Salaries and other short-term employee benefits | 1,115,909 | 984,074 |
| Post-employment benefits | 43,878 | 38,404 |
| Other benefits | - | - |
| | <u>1,159,787</u> | <u>1,022,478</u> |

26 Approval of financial statements

The financial statements were approved by the Council on 10 May 2017.

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**BUILDING CHARACTER
SINCE 1886**