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ANNUAL REPORT

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TO ENCOURAGE RUGBY, AND ITS VALUES, TO FLOURISH ACROSS ENGLAND

HRH The Duke of Sussex, **Patron**
Peter Wheeler, **President**

Board of Directors

Andy Cosslett, Chairman
Robert Briers
Chris Cuthbertson
Sue Day
Phil de Glanville
Deborah Griffin OBE
Simon Massie-Taylor
Stephen Pearson
Dominic Proctor
Genevieve Shore
Bill Sweeney
Jonathan Webb
Helen Weir CBE
Wing Commander Peter Whiting

Executive Directors

Bill Sweeney, Chief Executive
Sue Day
Steve Grainger MBE
Simon Massie-Taylor
Nigel Melville

Company Secretary

Angus Bujalski

TEAMWORK RESPECT ENJOYMENT DISCIPLINE SPORTSMANSHIP

RUGBY UNION IS PLAYED BY A COMPLETE CROSS SECTION OF THE COMMUNITY, WITH THE RFU RESPONSIBLE FOR AROUND

2.5

MILLION
ENJOYING
RUGBY

500,000

REGULAR
PLAYERS

2,000

RUGBY CLUBS

1,400

SECONDARY
SCHOOLS
PLAYING
COMPETITIVE
RUGBY

110

COLLEGES
PLAYING
COMPETITIVE
RUGBY

130

UNIVERSITIES
PLAYING
COMPETITIVE
RUGBY

HELPED BY A
VOLUNTEER
WORKFORCE OF
MORE THAN

100,000

IN THE
PAST YEAR
THE RFU
INVESTED

£100.5m

DIRECTLY WITH CLUBS AND IN OPERATING THE ENGLISH GAME AT ALL LEVELS. PROFITS MADE BY THE RFU ARE INVESTED IN THE SPORT ACROSS ALL LEVELS.



**PETER WHEELER
PRESIDENT**

What an honour it is to serve as President of the RFU for this exciting season and I am greatly indebted to the game for my appointment.

My thanks go to Chris Kelly, my predecessor, for his hard work over the past season and his unstinting dedication to the game. Both Chris and I began our rugby as schoolboys and we both continue to love this truly unique sport.

My rugby began at the age of 12 at Brockley County School in South London. I was fortunate to have schoolteachers and coaches who taught me to appreciate rugby's values and to work hard to achieve the highest honours.

At 26, I made my England debut as hooker, and was fortunate to gain a total of 41 caps, to play a part in England's 1980 Grand Slam, and to be captain five times.

I was lucky to play against and alongside some incredible people, gathering many memories, among them beating New Zealand 15-9 in 1983.

Touring with the 1977 British & Irish Lions to New Zealand and in 1980 to South Africa was truly memorable, as was the 1971 England uncapped tour to the Far East, as part of the RFU's centenary celebrations.

We played our first match against Japan in Osaka in front of a crowd of 13,000, and the second in Tokyo with 25,000 supporters there, as well as matches in Singapore and Sri Lanka.

The 2019 Rugby World Cup in Asia, outside rugby union's traditional heartland, has been a great success which will benefit England Rugby and the global game.

I am also delighted that the Barbarians have asked England head coach Eddie Jones to coach them when they return to Twickenham in November to face Fiji. Having played 17 times for the club and, alongside Clive Woodward and Andy Ripley, been part of the Barbarians squad that won the Hong Kong Sevens, I look forward to the encounter.

Of course, my club which is close to my heart, has always been Leicester Tigers, who I captained to three consecutive wins in the John Player Cup and represented in 349 games.

I was also fortunate to coach Tigers in the inaugural league season of 1987 when they became champions and to then join the Tigers organising committee. When the game went professional in 1996, I became Leicester Tigers Chief Executive until 2010, becoming Rugby Director until I retired in 2015, after 40 years as captain, coach, CEO

and President.

I have truly loved my life in rugby and have to thank my wife Margaret for her support and my three sons and daughter, who have all enjoyed playing the game.

Enjoyment is essential among our values and for that enjoyment we have many to thank. Among them are friends and colleagues on the RFU Council to whom we recently bid farewell including, after 12 years, Keith Shurville and Tony Price. We are very grateful for their service.

Over the year we have also lost some tremendous servants of the game, among them two past Presidents in John Richardson and Micky Steele-Bodger, who had, at the age of 93, served the Barbarians for 73 years, 31 as their President. They both lived rugby's values and gave much to the game and we will continue to benefit from their legacy.

I would like to wish all involved in rugby a very enjoyable 2019/20 and to thank you for the privilege of being your President.

**THE RUGBY WORLD CUP
BEING HELD IN ASIA,
OUTSIDE RUGBY UNION'S
TRADITIONAL HEARTLAND,
WILL BENEFIT THE GLOBAL GAME.**



ANDY COSSLETT CHAIRMAN

During the year the Union made good progress on a number of fronts despite the financial constraints we placed on ourselves.

The financial stability of the Union is an enduring priority which underpins all we do in the game. Maintaining this stability requires prudent planning, financial discipline and, when necessary, strong action to be taken on costs. Over the past two years we have felt it necessary to take such action in response to revenues falling short of some ambitious forecasts and a more uncertain outlook. Parts of the game that rely on our financial support and many RFU departments have been asked to cut back. While this work has been difficult and presented challenges, investment levels in the game remain high and the financial position of the Union has strengthened as a result.

The financial outcome for season 2018/19 saw total group revenues of £213.2m (prior year £172.4m), operating profit of £14.9m (prior year loss of £24.4m) and profit to reserves (after reinvestment in the game) of £3.9m (prior year loss of £30.9m). The improvement on the previous year was mainly due to stronger sponsorship revenues, more international matches played at Twickenham, a reduction in overall rugby investment and lower overheads. At the end of the year, outstanding bank loans totalled £59.5m (2018: £44.3m).

The Chief Executive Officer's report reviews the year and of particular note is the opening of the East Stand hospitality wing, a major investment and the latest landmark in the continuing development of Twickenham Stadium. And, talking of landmarks, we very recently celebrated another of course, with England men reaching the final of the Rugby World Cup for the first time since 2007. Although the result in Yokohama wasn't what we were hoping for, the entire English game combined to create a tremendous platform

for the future and the playing squad and management deserve our congratulations and appreciation for flying the flag so well. The CEO's report also reviews the wide variety of projects and activities we have undertaken and supported in the year.

That has been made possible by the total investment in rugby during the year of £100.5m (2018: £107.7m). Going forward, we expect rugby investment to be slightly lower (around £95m per year) and we have worked hard on our strategy during the last few months in order to focus that investment in the areas where we can make the greatest difference. While reductions in the last year have been painful, it is also important to note that levels of rugby investment which we are returning to remain high. They are in line with the levels invested in 2016, at the time our record year of investment, and are significantly higher than amounts invested by every other union in the world.

The RFU business works in four-year cycles with the final year being a Rugby World Cup year. Our fantastic Twickenham asset and the matches we host there allow us to maximise our revenue, build up reserves and withstand the shortfall that we experience in a world cup year when fewer matches are played at the stadium. Next season (19/20) will be loss making but this is entirely expected and planned for.

The Union's governance continues to evolve. The Sport England Code adopted in 2017 is now fully embedded and our first term limits for Council members come into effect in 2020. The relationship between Board and Council remains vital to the health of the Union and continues to develop as we look for better ways of harnessing our combined resources. We are on a journey to increase diversity throughout our game and in recent years we have seen tremendous growth in the number of women and girls playing. We now want to see similar growth in the

number of women running the game, in our clubs and committees. Leadership from the top is vital so it's good to report a further increase this year in the number of female members of Council, albeit from a small base. It's also good to note that more than 50 of our clubs now have female Chairs.

Bill Sweeney became Chief Executive Officer of the Union in May 2019 and I would like to formally welcome him to the role and thank him for his efforts so far. Bill joined us from the British Olympic Association following a long and distinguished career in corporate business. Team GB enjoyed record success on and off the track during his tenure and we are looking forward to more of the same at the RFU.

I would also like to formally thank Nigel Melville who stepped up brilliantly as our interim CEO and led the team with distinction during a turbulent time.

Malcolm Wharton stepped down from the Board in July after six years of great service. Malcolm served as Chair of the Community Game Board for the first three years of his time on the Board and as an elected Director for the remaining three. His contributions were consistently powerful and insightful and he represented the game with vigour and purpose. Malcolm is replaced on the Board by elected member Peter Whiting who also takes on the chairing of our 150th anniversary working group. This event is clearly a major milestone for the Union and is bearing down on us fast. We look forward to Peter's contribution and wish him well.

I would like to thank all those who have helped steer the Union through this challenging period and everyone across the wider game who continue to do so much to support our great game and everything it stands for.

THE FINANCIAL STABILITY OF THE UNION IS AN ENDURING PRIORITY WHICH UNDERPINS ALL WE DO IN THE GAME.



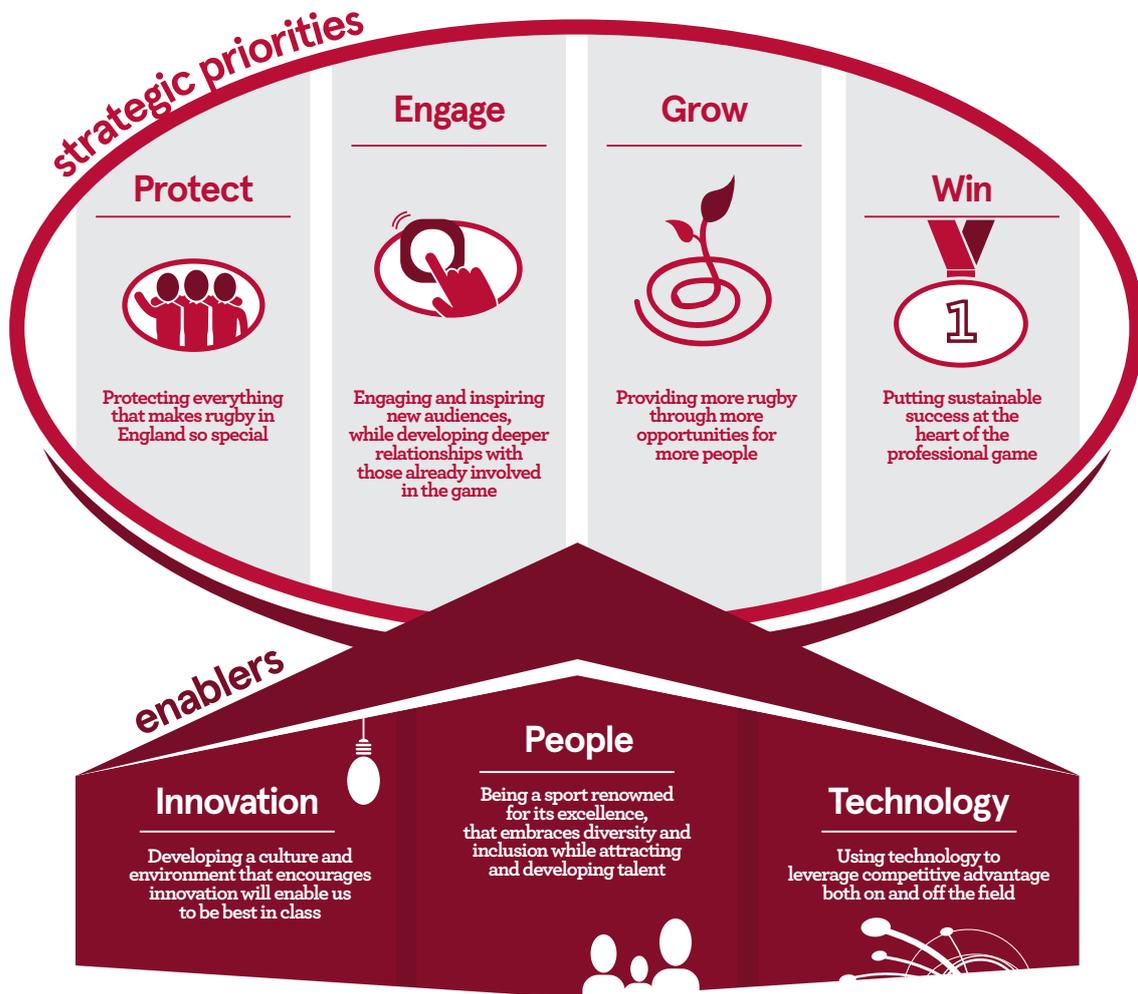
STRATEGIC REPORT



STRATEGIC PRIORITIES
CEO'S REVIEW OF THE YEAR
FUTURE OUTLOOK
FINANCIAL REVIEW
MAJOR RISKS AND UNCERTAINTIES
CORPORATE SOCIAL RESPONSIBILITY



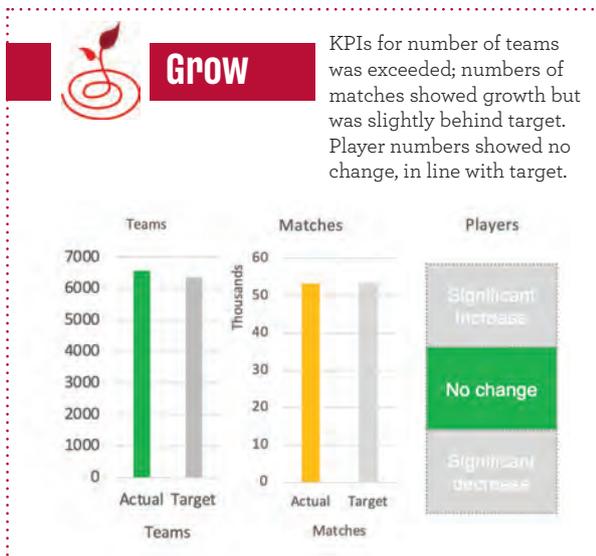
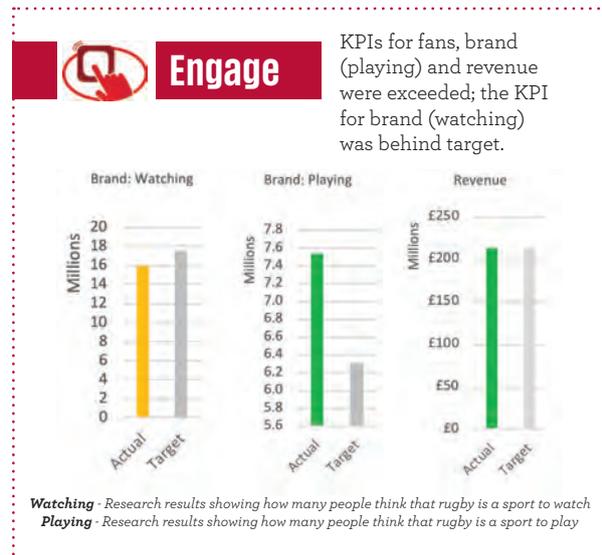
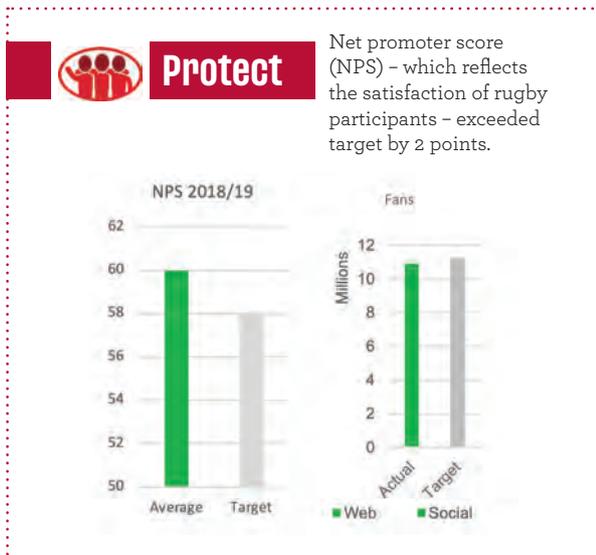
STRATEGIC PRIORITIES FOR THE YEAR TO 30 JUNE 2019



2018/19 KPIs

NON-FINANCIAL KPIs

Our key KPIs are under the headings of the four key strands of the current strategic plan: protect, engage, grow and win.

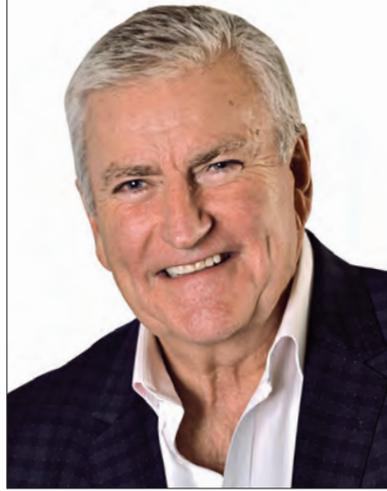


FINANCIAL KPIs

Our financial KPIs show that we have exceeded target against all our financial metrics in the year. In addition to the KPIs set, profit to reserves at £3.9m was also ahead of plan.

Further detail is set out in the financial review on pages 18 to 20.

	Actual	Target
Revenue	213.2	212.7
Profit before rugby investment	115.4	114.2
Operating profit	14.9	13.2



BILL SWEENEY
CEO

Being appointed CEO of the Rugby Football Union last May was an honour and privilege. The responsibilities that come with the role are clearly understood and I look forward to working with all our game's stakeholders to create a lasting legacy.

We now have an opportunity to develop an exciting period of growth thanks to the way England played in reaching the Rugby World Cup Final in Japan. Although that comes beyond the period reported on here, I would like to thank Eddie and the England team and everyone involved for their passion, commitment and team spirit – they have been powerful ambassadors for England Rugby both on and off the pitch.

I was fortunate to have the full support of the Executive team during my transition into the Union (led by Nigel Melville as interim CEO). There were many very important ongoing initiatives and I was constantly kept advised and included in key discussions. I would also like to acknowledge the support and understanding of my previous employers, the British Olympic Association, during this transition.

Since my arrival, I have been engaging with internal and external stakeholders and it is clear that we all want a high performance culture across the organisation. We want to be proud of what we do for the community game and the national teams, and to inspire the next generation to participate and enrich their lives through the unique values of rugby.

In May, we began a process, entitled Project Union, to address the significantly changed sporting and

economic environment since the last Strategic Plan was written, and to refresh the RFU's strategy and refocus our priorities accordingly. Interviews and workshops with over 400 staff, Council members and key stakeholders have set the agenda for the coming years. This work is not yet complete and we will update the game as soon as it is finalised.

Due to dedicated efforts of the Executive team and staff, we have performed well against our KPIs - from a financial perspective this year, we exceeded our financial targets in very challenging circumstances and saw an increase in our reserves. During the year, the RFU invested £100.5m (2018: £107.7m) in the game and I would like to thank all who played their part in managing this result through what has been a very demanding period.

A low revenue year lies ahead, due to the four-yearly match profile, but this is not unexpected. There are no autumn internationals because of the 2019 Japan Rugby World Cup, and only two home Six Nations games next year. That is the cyclical nature of our business, we have fully planned for it and will emerge in very good shape.

We have an inherently strong business model. We will focus on revenue generation, cost control and a prioritisation of initiatives. This will enable us to build up reserves for future investment.

Our relationship with Premiership Rugby and the Championship remains of fundamental importance. After 14 years' strong leadership, Mark McCafferty stepped down from his role as Chief Executive of Premiership Rugby at the end of the Gallagher

Premiership season. We wish him well and welcome Darren Childs as the new CEO. This season's Greene King IPA Championship will also be Geoff Irvine's last as Chairman. He has given great service to the Championship and the development of players, many going on to play for England.

On the field, during the 2018/19 season, England men had three wins and a very narrow loss to New Zealand in the Quilter Internationals. That was followed by second place in the Guinness Six Nations Championship.

Subsequent to the year-end, the summer saw three home Quilter Internationals before departure for the 2019 RWC in Japan. The England v Italy match, which we won 37-0, took the game to Newcastle. We had matches against Wales at home, with a 33-19 victory, and away losing 13-6 when reduced in number due to a head injury assessment, causing a new rule to be brought in by World Rugby. We also played Ireland at home securing a record 57-15 victory.

The Rugby World Cup in Japan was a terrific tournament, well-staged and well-managed and it was a thrill to be there for fans and players alike. The manner in which Japan hosted a record breaking tournament despite the loss of life and tragedy of Typhoon Hagibis was remarkable. The final became the year's most viewed television event, with a peak audience of 12.8 million and was watched by 79% of the viewing audience across the UK.

Our professional match officials are also at the top of their game with four referees earning World Cup match official appointments, as well as two TMOs at the world tournament.

So many good news stories have been coming out of the women's game. The awarding of 28 full time contracts for England XV's was followed by a Six Nations Grand Slam and a second place to New Zealand in the summer's Super Series in San Diego.

Attendances at Red Roses matches continue to grow.

The Six Nations match v Italy at Sandy Park, Exeter, drew a record 10,545 attendance for an England Women ticketed home game.

Crowds watching the women, as part of the Twickenham double headers with the men, also increased, with around 13,000 watching England defeat Scotland for the Grand Slam and 18,000 watching the inaugural match against the Barbarians. TV audiences have also increased. The growth and overall health of the women's game are key and as a strategic priority we remain committed to investing in its future.

While Sevens has been challenging in the World Series, the high spot was a men's silver medal at the Rugby World Cup Sevens in San Francisco. England Sevens men's and women's squads both qualified as nominated GB teams for Tokyo 2020.

We welcomed over 1.2m people to Twickenham this year across 22 major events.

For the third year running we sold out all major England internationals.

Our major asset is Twickenham Stadium. The internationals held there generate 85% of our revenue and allow us to invest in the game at both the performance and community levels.

The current Six Nations TV deal expires in 2021 and positive discussions around future broadcast rights are taking place.

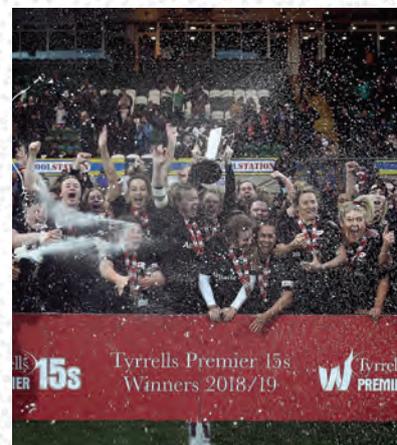
Twickenham's East Stand opened for the autumn's Quilter Internationals, with excellent feedback, adding to the stadium's status as a world-class venue. At the Scotland match alone, 850

catering staff serviced 18,000 plates of food.

The first season was a great success. The development has enabled us to significantly increase revenues and will continue to do so for many years to come. We have a strong focus on making sure that our venue continues to be safe, compliant and moves with the times, and we continue to look at long-term development and future venue maintenance plans.

With the East Stand now fully operational, a full review has been carried out to identify the reasons behind the overspend on this project and lessons that can be learned. The review confirmed that the majority, but not all, of the overspend was caused by increased costs associated with revisions to key fire safety and anti-terrorism requirements. The report also identified some key process weaknesses and made a number of recommendations which are now being implemented.

Commercially, while the sponsorship market remains challenging, we continue to expand our portfolio with the inclusion of British Airways, Majestic Wine, Coco Fuzion, Optimum Nutrition, Simplyhealth and Irwin Mitchell.



... (CONTINUED)

We are particularly proud of our British Airways stadium partnership which has delivered a significant amount of incremental revenue to the RFU already – and they are happy too, recently giving us a 10/10 partner service score.

Across the sports sector, sponsorship arrangements remain high-value for the strongest international sports brands, albeit sophisticated marketing professionals are required to secure, activate and maintain them. We very much value the continuing support of our long-term commercial partners whose combined investment brings over £30m a year into the game.

Our own digital reach across website, social media and our database is on track to exceed the Strategic Plan target of engaging with 11.36m rugby fans this year – a 10% increase over last year.

And our Digital Refresh Project with IBM has seen a new improved englandrugby.com launch on 1 July, improving the user journey and experience for fans, players and all involved or interested in rugby.

We continue to play a leading role in player welfare, which is absolutely critical to the future growth of the game. This includes medical research and numerous injury surveillance projects in the elite men's and women's game and also the community game.

Our highly regarded work on concussion and the Headcase awareness and education programme is recognised as the leading education resource of its kind in the UK.

Concussion is taken very seriously by the RFU, and this programme has helped considerably in raising awareness and mitigating associated risks.

While we must always do all we can to protect our rugby family, our sport provides immense benefits in terms of health and wellbeing, improved confidence and communication skills, as well as giving players lifelong values and friendships.

Supporting and communicating with the entire game remains important at a time when numbers taking part in rugby union have been stable, despite Sport England's Active Lives figures showing team sports in general suffering a significant decrease over the past 12 months. Participation in rugby union by gender indicates male numbers stabilising in the last year, after a period of decline since the start of the survey in 2015/16. Numbers of women and girls taking part continue to be encouraging with numbers increasing.

Compared with 2017/18, we had 219 new teams across men, women and age grade boys and girls.

A key challenge remains in maintaining numbers in adult male fifteens rugby. We have been seeking and listening to players' opinions with the aim for this to be more consumer-led and to meet the needs of modern lifestyles.

The RFU continues to focus on sustaining and enhancing male XV-a-side rugby which is the traditional core of the community game. New Game On principles allow teams short of numbers to play with a minimum of ten players, the result standing as long as the match is a minimum of 40 minutes. Rolling substitutions can be made and both scrums and lineouts can be uncontested as long as both teams agree and notify the referee prior to kick off. New Electronic Match Cards are now also providing data which we use to celebrate success, with player of the month and team of the month at every level on englandrugby.com and across our social channels.

The number of registered adult women players is now around 37,000 and we also have over 60,000 girls involved in the sport.

We are at the midway point of the RFU's four-year women and girls action plan and by working with Constituent Bodies and club volunteers, and partners such as Sport England, a great deal has been achieved.

Warrior Camps have introduced 18-35s to rugby and their local clubs, with around 18,000 women at over 500 camps nationwide during the past two years.



Female coach and referee numbers are also on the increase, with the number of women achieving the England Rugby Coaching Award up 185% to 274 in 2019, and the England Rugby Referee Award up 214% to 88. Women involved in the Quilter Kids First Refereeing Children programme increased by 118% to 254.

With the RFU investing £2.4 million over three years in the Tyrells Premier 15s, the women's club premier domestic competition launched in the 2017/18 season, standards continue to improve. Comparing RFU surveys after the 2016 and 2019 Six Nations, it is clear that women's perceptions of rugby are changing, with almost three times as many feeling that rugby is a sport for someone like them to play and almost two million more females likely to watch.

Our focus is on improving the playing offer in line with women's and girls' wants and needs. The emphasis is on leadership and advocacy, and challenging perceptions so that rugby is seen as equally accessible for women and girls as it is for men and boys.

Other formats of the game have been increasingly popular, one real success being O2 Touch, a major part of England Rugby's partnership with Sport England to grow the game, which has hit a 30,000 registered players milestone since its launch in 2013.

Widening the scope of the game for younger players, and teenage girls, our CBRE All Schools programme reached a major milestone with the engagement of the final 75 schools and 175,000 pupils, a third of them girls, newly involved this year alone.

This significant 2015 RWC Activation and Legacy promise will be met with the introduction to our sport of 750 state secondary schools that weren't previously playing rugby. Around 70% of pupils involved in the programme report that they are more confident, aspirational and performing better in school.

In the university sector we have existing agreements with 14 partner universities and 18 new agreements with clusters of two or three working collaboratively to offer a broader rugby programme. The

aim has been to grow player numbers, including through different formats of the game, sustaining university programmes and transitioning students into the community game.

Since 2017 the Focus College programme has seen 29 Focus Colleges create 29 new teams (27 male and two female) and 18 new female rugby programmes, providing playing opportunities for over 2,000 college students. Around 400 students transitioned into rugby clubs and more than 400 young match officials and coaches were trained to help sustain both the college sector and community rugby.

The England Rugby Sevens Series followed a streamlined format with 16 men's and five women's teams qualifying for the finale at Nottingham Rugby Club via 31 local qualifiers. In this fourth year, the competition continued to support the development of sevens at local level. XRugby, the newest rugby format, saw just under 4,000 players taking part and was used within schools, universities and clubs, targeting new players and aiming to bring players back to rugby.

All of this depends, of course, on high-quality volunteer support and I am delighted to report that numbers signing up for coaching, match officiating, medical and volunteer training courses increased, with 44,632 registering against 36,025 in 2017/18.

The coaching, refereeing, emergency first aid in rugby union, and safeguarding awards all saw significant increase, as well as numbers of coaches attending CPD courses.

Quilter Kids First CPD courses for those coaching and refereeing children's rugby reached 8,000 nationwide over the season. Keeping young players safe and enjoying the best possible rugby environment is of paramount importance.

Our commitment to the philosophy that rugby is a sport for all saw the RFU participate in July's Pride march alongside the Kings Cross Steelers, the world's first gay and inclusive rugby club.



IT REMAINS ESSENTIAL THAT
WE FOCUS ON PLAYERS' VIEWS
TO DETERMINE WHERE BEST
TO INVEST TO MAKE THE GREATEST
DIFFERENCE TO THEM





... (CONTINUED)

England now has 20 Gay and Inclusive clubs, one of the most recent being Hull Roundheads RFC founded last summer and, with International Gay Rugby, we took O2 Touch to 15 local Pride events.

Our partnership with Stonewall through Try for Change has seen us look at how we train staff and volunteers to be either LGBT community allies or role models. We continue to support the Rainbow Laces campaign.

The England Deaf men's rugby team lost to the Wales Deaf team away but beat them at home and beat Bromley RFC. England Deaf Women lost to Deri Diamonds in Wales but beat Sale 1861 Women. Both men's and women's deaf teams competed at the Ilkley 7s and competing against club teams gave players more game time.

Our relationship with International Mixed Ability Sports continues, with 25 mixed ability teams training and playing across England.

Investment in facilities last year saw 15 new AGPs open, meaning that the RFU has now invested in a total of 26 pitches across the country, with significant footfall. Another two are under construction.

Artificial Grass Pitches are improving players' experience of the game and limiting bad weather cancellations.

We also support our clubs in providing the kind of modern facilities today's male and female players expect. Work to support and strengthen our clubs saw £860,731 invested in 29 club projects, which brought healthy partnership



funding, reaching £4,524,043. The Rugby Football Foundation made smaller grants and loans to 144 clubs, while the

Rugby Groundsmen Connected online membership grew to 1,183.

With over 100,000 volunteers working to ensure the health of our sport, we have continued to support and reward them.

The Mitsubishi Motors Volunteer Recognition Programme recognised over 1,300 unsung heroes over the last year.

The NatWest RugbyForce programme saw volunteers rolling up their sleeves and making their clubs stronger and more sustainable. Grants and online toolkits ensure that June's NatWest RugbyForce weekend brings the rugby family and local communities together, helping to attract new members.

While it has been a challenging year financially, we are still investing significant amounts into the community game. Excluding cash investment in AGPs that investment was £34.9m in total over the year.

It remains essential that we focus on players' views to determine where best to invest to make the greatest difference to them. The question of return on investment inevitably creates passionate discussion but we are mindful that players and their needs are at the heart of the game.

The Rugby World Cup has again put the spotlight on our sport and its values. England Rugby is about union, about uniting the game, with the health of the grassroots sport fuelling the success of the elite game.

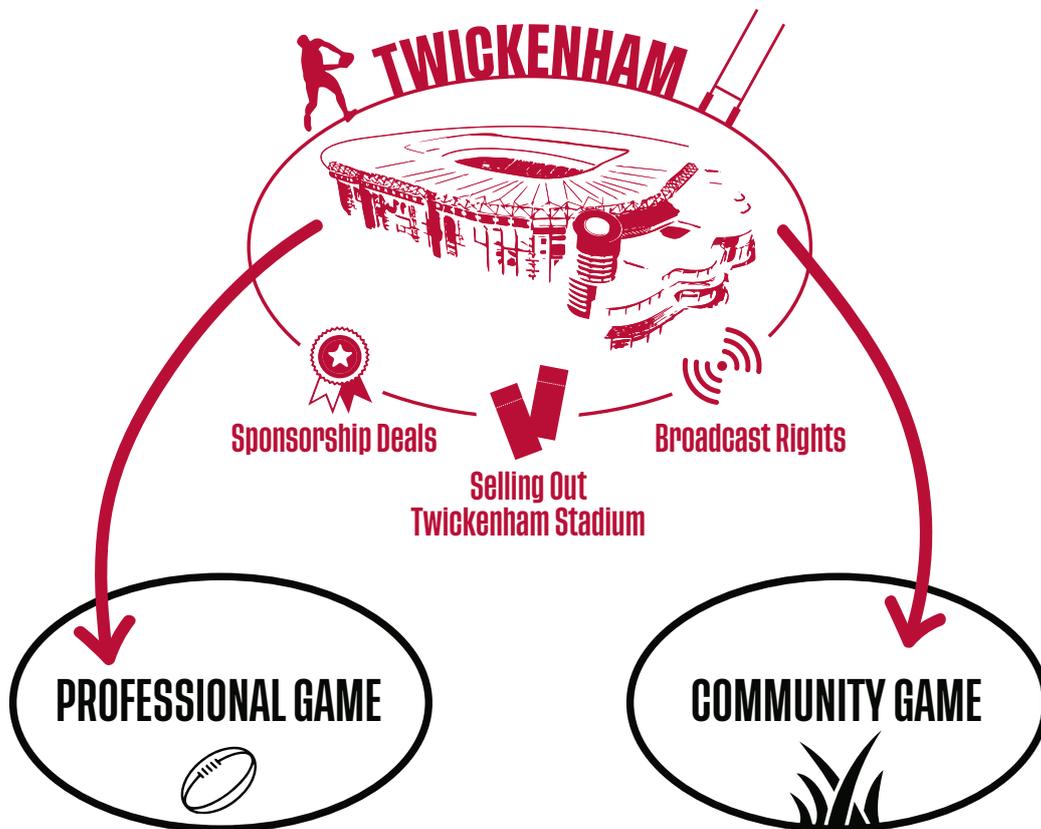
With everyone working together and a high-performance culture, we will have a high performing Union driven by its unique values. Refocusing our strategy to meet the game's needs, while supporting England teams winning consistently and ensuring financial sustainability means we can drive the future direction of rugby.

I am looking forward to a year that we see very much as transitional as we restore long-term stability, and look forward to a sustained period of reinvestment and growth.



THE RFU EXISTS TO GROW RUGBY UNION IN ENGLAND AND PROMOTE THE CORE VALUES OF TEAMWORK, RESPECT, ENJOYMENT, DISCIPLINE AND SPORTSMANSHIP BY INVESTING IN ALL FORMS OF THE GAME.

MONEY TO INVEST IN BOTH THE COMMUNITY AND PROFESSIONAL GAME IS GENERATED PREDOMINANTLY THROUGH THE ENGLAND MEN'S XV TEAM, BY SELLING OUT TWICKENHAM STADIUM, SPONSORSHIP DEALS AND BROADCAST RIGHTS.



RFU FINANCES ARE ALWAYS PLANNED OVER FOUR-YEAR RUGBY WORLD CUP CYCLES, ALLOWING FOR THE FLUCTUATIONS IN REVENUE WHICH ARE DRIVEN BY THE NUMBER OF MEN'S FIXTURES AT TWICKENHAM. IN YEARS WHEN WE HAVE A HIGH NUMBER OF MEN'S HOME MATCHES WE MAKE MORE MONEY; IN YEARS WHEN WE HAVE FEWER HOME MATCHES, LIKE WORLD CUP YEARS, WE MAKE LESS.

RUGBY INVESTMENT HAS MORE THAN DOUBLED OVER THE LAST THREE FOUR-YEAR CYCLES, FROM £179M IN THE CYCLE TO 07/08, TO OVER £400M PLANNED IN THE CYCLE TO 19/20, INCLUDING REINVESTMENT OF RWC2015 PROFITS.

WITH THIS INVESTMENT THE RFU CONTINUES TO DEVELOP THE PROFESSIONAL AND COMMUNITY GAME ACROSS ENGLAND.

CURRENT CHALLENGES

Everything that the RFU spends is invested into rugby, either directly into the community or professional game, or indirectly through running Twickenham Stadium and administering the game. Some earnings are retained as reserves to protect against any exceptional or unexpected events.

This proven approach will not change. The economic challenges that we set out in last year's annual report remain and continue to put pressure on the organisation's discretionary spend.

These are:

A 'normal' World Cup

Our four-year cyclical business faces a Rugby World Cup Year loss in 2019/20 for the first time in eight years, with no Twickenham autumn internationals.

Market uncertainty

The Brexit effect and uncertainty in both the UK sports market and the wider economic environment, means our projected revenue assumptions are conservative.

Professional game

Contracted investment in the professional game has increased, giving greater access to the best players in the Premiership to drive enhanced performance of the England team. The success of the senior England men's team, in particular, drives the business model and provides funding for community rugby and other areas of professional rugby, like the women's game and sevens.

Twickenham Stadium

In a crowded major venue market, it is essential to continue to invest to ensure that Twickenham Stadium, the asset which generates the vast majority of our revenue, remains at the forefront of the sports and entertainment market.

LOOKING FORWARD

The financial position of the RFU is sound. We have a strong base line of contracted revenues and an asset that continues to generate excellent revenue streams. But, as described in last year's annual report, those revenue streams are lower than previously expected.

We have done a lot of work to reduce organisational running costs and in the next few years will need to work hard to make sure that the cost base remains appropriate, aligned with forecast revenues over each four-year rugby cycle.

We are in the process of carrying out a piece of work, Project Union, to refine our strategy and make sure that we are focussing on the right rugby priorities and we continue to prioritise direct investment into the game. For the 2019/20 financial year, that investment will be around £98m, including the additional costs of competing at the Rugby World Cup. Investment is likely to be around £95m in the years that follow.

In the absence of one-offs to reinvest, which have been available in previous years, while £95m is a little lower than in the last two or three years, it still represents a sizeable investment into rugby that will make a real difference. There is much to look forward to.



SUE DAY
CFO

In this report last year I outlined how important it is to the RFU to ensure that our finances are well managed and remain on a firm footing. That gives us the best possible chance to play our part in making sure that as many people as possible across England are able to benefit from the opportunities that our great game can offer. I am pleased to say that we had a strong year financially. We performed well against our operational business plan, delivered better revenues than expected and we kept tight control of costs.

The profit to reserves was £3.9m after investment of £100.5m into the game. Revenues were higher year-on-year at £213.2m (compared to £172.4m in the prior year) driven largely by the impact on ticket and broadcast revenues of having more home matches at Twickenham than in the prior year. As a result, profit before rugby investment increased 39% year-on-year to £115.4m.

The rugby investment in the year of £100.5m was split between professional rugby at £65.6m and rugby development at £34.9m.

I described last year the £100m of bank facilities that we have available. Those remain in place and, as at 30th June 2019, borrowing was lower than planned at £59.5m (compared with borrowing of £44.3m at last year-end), thanks to careful management of working capital.

The balance sheet of the Group remains strong, with capital employed totalling £196.4m. The increase in capital employed of £2.0m reflects the profit in the year offset by the annual increase in the contractual obligation to buy back the Compass shareholding in TEL in 2028 (as described in in note 3).

Revenue

As outlined in Note 4, ticket revenues increased by £17.7m (59%) from £29.9m to £47.6m, due to the staging of four Old Mutual Wealth Internationals against South Africa, New Zealand, Japan and Australia and three home Guinness Six Nations matches against France, Italy and Scotland. This compares to 2017/18 when there were three Old Mutual Wealth Internationals and two home Six Nations matches.

Broadcasting revenue increased by £8.5m (21%), from £41.2m to £49.7m, primarily due to one more Old Mutual Wealth International and a second placing in the Six Nations (compared to fifth the prior year).

Sponsorship revenue is £3.5m (12%) higher than the prior year, increasing from £29.3m to £32.8m. IBM, Unilever and CBRE all renewed their sponsorship arrangements while new partnerships were signed with British Airways and Majestic Wine, among others.

Hospitality and catering income increased by £13.3m (32%), from £41.2m to £54.5m. This increase is due to the greater number of home matches as well as the opening of the East Stand, which has significantly increased RFU match day hospitality revenue potential.

Merchandising and licensing revenue reduced by £2m (44%) in year from £4.5m to £2.5m. This was driven by the ceasing of the official license operator scheme, which was brought 'in house' and accommodated in the expanded East Stand Hospitality.

Combined revenues from subsidiary companies England Rugby Travel Limited (ERT), London Marriott Hotel Twickenham and Virgin Active Classic Health Club were similar to 2018 at £10.8m.

Event hire fees have reduced £0.8m from £3.8m to £3.0m due to a reduction in the number of music concerts staged in the year. Funding included amounts received from World Rugby and Sport England, and the increase from £6.5m to £7.1m is driven by an increase in amounts received from each of those organisations.

Under the new Sports Governance Code, the RFU is now required to show the income from public investors and to clearly account for the expenditure of these funds. The analysis and use of Sport England funds received is shown below.

	2019 £m	2018 £m
Total Sport England income	3.5	3.2
Related spend		
Player retention and transition	0.6	0.4
Broadening reach	0.4	0.5
Touch and sevens	1.0	0.9
Women and girls/ talent development	1.5	1.4
Total spend	3.5	3.2

Cost of sales

Cost of sales increased by £5.7m (19%), from £29.8m to £35.5m, while gross margin has been maintained at 83%. It is worth noting that as our hospitality business increases in size this is likely to result in a reduction in gross profit margin.

Overhead expenses

Overhead expenses which include all administration and non-match day stadium costs increased by £3m year on year from £59.3m to £62.3m.

This was driven by a £3.5m increase in depreciation year on year due to the opening of the East Stand. It also includes a year on year increase in match-related overheads, due to the greater number of matches in the year, which hides an overall reduction in underlying overheads.

Profit before rugby investment

Profit before rugby investment increased by £32.1m (39%) from £83.3m to £115.4m, largely driven by the increased number of home matches. Of this £115.4m, £6.1m is attributable to minority interests, £3.1m was needed to cover interest payable and £1.9m to cover tax. Of the remaining £104.3m, £100.5m (96.4%) was reinvested into rugby, with the remainder retained to build reserves for the future.

Professional rugby investment

Professional rugby investment includes the costs of all England representative teams, pathway programmes, the support infrastructure, as well as professional club funding. Overall investment reduced by £5.1m (7%) from £70.7m to £65.6m. This was due to phasing of funding as part of the professional game agreement, a reduction in player fees and a reduction in base costs as part of the effort to reduce costs across the organisation. While there were more home matches than in the prior year, there were fewer matches overall for the England men's 15s team whose costs make up the greatest proportion of player fees. A breakdown of professional rugby investment is as follows:

Professional investment	2019 £m	2018 £m
Professional club funding	34.2	37.3
Player fees, England men's 15s, Women's 15s, Sevens, men's and women's pathway	18.9	20.5
Base, including people, operations and investment games	12.5	12.9
Total	65.6	70.7

Rugby development investment

After seven years of consecutive growth, rugby development investment reduced by £2.1m (6%), from £37.0m to £34.9m. Even after the reduction this remains higher than 2016 levels. A breakdown of development investment is as follows:

Development investment	2019 £m	2018 £m
People and people related operational costs	11.1	11.8
Depreciation (mostly AGPs)	1.3	0.5
Programme investment	16.5	17.7
League funding, club insurance and IPF	6.0	7.0
Total	34.9	37.0

Programme investment includes programmes such as CBRE All Schools and Project Rugby as well as investment in volunteer development, other club management and governance programmes, and direct club and CB funding.

Interest payable and similar charges

Interest payable and similar charges has increased by £0.9m (41%) from £2.2m to £3.1m. It includes the interest on drawn down loan funds, implied interest on the future contractual obligation payable to Compass and net pension interest. The increase of £0.9m year on year is largely due to the increase in interest payable on drawn down loan funds used to fund the East Stand construction.

Loss on fair value and impairment of fixed asset investments

There was no gain or loss on fair value of investments in the year, compared to a loss of £1.2m in the prior year.

Net result

After taking account of taxation and after adjusting for minority interests, the profit to reserves was £3.9m which was better than plan.

Cash flow

Net cash flow for the year was £4.3m. Net cash flow from operating activities was £47.0m, aided by tighter working capital management. There was a significant reduction in debtors, as sponsorship which was overdue at last year end was received on time in 2018. Total capital cash outflows of £50.4m in the year included ongoing works on the East Stand Project (£40.6m), construction of additional Artificial Grass Pitches (£7.9m) and the construction of the new World Rugby Museum (£1.7m). This investment was funded out of operating cash flow, debenture proceeds (£0.2m) and an additional £15.0m drawdown of our borrowing facilities.

Balance sheet and cash flow

Consolidated capital increased by £2.0m from £194.4m to £196.4m. This increase primarily reflects the profit of £3.9m offset by a worsening (£2.0m) in the position of our defined benefit pension fund. The pension fund remains in surplus, but a surplus of £0.5m compared to £2.5m at the June 2018 year end.

Fixed assets increased by £29.9m from £301.6m to £331.5m.

Intangible fixed assets consisting of software and website development costs decreased by £0.5m, due to the annual amortisation charge of £0.9m, offset by additions of £0.4m.

Tangible fixed assets, which primarily comprise our investment in Twickenham Stadium and Artificial Grass Pitches in community clubs, increased by £30.2m from £275.3m to £305.5m, largely due to investment in further AGPs and the new East Stand.

The fair value of our 10 residential properties, which are strategically important as they are located alongside the West Fan Village, was £6.5m at year end, following minimal movement in value consistent with the local property market.

Debtors and prepayments due within one year decreased by £5.9m, from £30.9m to £25.0m. This is because of a decrease in trade debtors of £1.4m due to timing of sponsorship billing and a decrease in other debtors of £6m, largely

driven by the VAT asset in the prior year of £3.6m. These two decreases are offset by an increase in prepayments and accrued income by £1.5m which is driven by Rugby World Cup funding of £3m, offset by the release of certain contract prepayments. In 2019 Secure Trading Group, a partner of the RFU and shirt sponsor of the England Sevens rugby teams, was placed into administration. While the RFU continues to take all steps possible to recoup the amount owed, as an unsecured creditor it is considered unlikely that amounts owed will be received. Accordingly £1.7m relating to the 2018/19 season and the 2019/20 season has been provided for as a bad debt.

Creditors falling due within one year increased by £9.4m, from £46.7m to £56.1m, £4.4m of which is due to an increase in trade creditors resulting from increased spending due to the summer internationals. Accruals and deferred income increased by £3.6m due to an increase in advance ticket sales relating to the summer internationals.

Creditors falling due after one year increased by £15.1m, from £125.8m to £140.9m, due to an increase in borrowing of £15m, and an increase of £1.6m in the value of the RFU's obligation to buy back the Compass Group PLC's 40% share in TEL in 2028, offset by a £1.7m reduction in accruals and deferred income.

The net pension asset of £2.5m reported in 2018 reduced to an asset of £0.5m in 2019. This loss was driven primarily by changes in discount rate, interest, inflation and mortality rates from last year.

Debentures increased by £0.2m, from £219.2m to £219.4m, due to the sale of upgrades to existing debenture holders relating to the new East Stand facilities.

The Other reserve increased by £1.6m reflecting the increase in the RFU's obligation to buy back Compass Group PLC's share in TEL in 2028.

The Profit and Loss reserve increased in the year from £25.1m to £28.6m. The main movements in the reserve were the £3.9m profit to reserves, the net increase in pension obligations, as well as a movement in other reserves of £1.6m, relating to the RFU's obligation to buy back Compass Group PLC shares in TEL 2028.

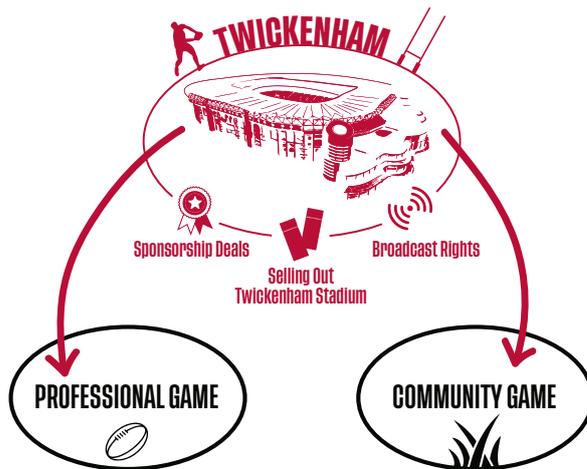
This £28.6m is in line with the RFU reserves policy and leaves the RFU in a good position to manage the variability of the four-year Rugby World Cup match cycle going forward, and any challenges in our future.

It is also important to note that our next financial year is a Rugby World Cup year. That means that we have fewer home matches than usual and so plan to make a loss in that year. That loss forms part of a long term financial plan to build our reserves back up by the end of the next Rugby World Cup cycle.



MAJOR RISK AND UNCERTAINTIES

Money to invest in both the community and professional game is generated predominantly through the England Men's XV team, by selling out Twickenham Stadium, sponsorship deals and broadcast rights.



For that reason, we have considered our risks by thinking about how they might impact each of these areas. We have considered:

- Risks to the **strength and stability of the commercial business**, including operating Twickenham, threatening our ability to generate money to invest in rugby
- The risk of **prolonged poor performance of the England men's team** which could threaten our ability to make money to invest in rugby
- Risks to **grassroots participation**, which underpins both the community and professional game
- Risks to **player welfare**, including safeguarding, which again underpins both the community and professional game; and
- Risks to the **governance and integrity** of the business, including cyber risks, which would impact on the RFU's credibility and ability to operate at all.

Strength and stability of the commercial business

Strong and stable commercial assets

The RFU's ability to invest in rugby at all levels relies on driving sustained value from all commercial assets. There is a risk that the revenues achieved from those commercial assets reduces and therefore that rugby investment has to be reduced. A strong men's team and an effective and operational Twickenham Stadium are both critical to those revenues.

In order to mitigate revenue risk, the RFU concentrates on securing longer-term commercial contracts with sponsors and broadcasters to bring certainty around future revenues. The RFU has also invested heavily in the new East Stand, which opened in November 2018, and as part of this, hospitality at Twickenham Stadium has been brought fully in-house through the RFU's joint operation with Compass Group. This will increase revenues generated from matches at Twickenham, as well as improve the quality of experience for guests and will improve crowd flows. The RFU also continues to diversify revenue streams by bringing other

events, such as music concerts and other sporting events, to the stadium.

Operating Twickenham Stadium for matches and events

Twickenham Stadium events form a significant part of the Group's revenues. There is a risk that if the stadium is not operational, for example for health and safety reasons, those revenues will be impacted. The RFU works closely with all relevant authorities, including government and the local council, to manage this potential risk, and also has relevant insurance contracts in place to insure against stadium related losses or loss of revenue.

The RFU has a designated health and safety lead to ensure that the organisation works at all times to improve the environment safety and comply with regulations. The RFU is investing in this area and in the last year investment has been made in hostile vehicle mitigation defences and an extended, more secure perimeter fence.

Availability of borrowing

The RFU has combined available borrowing facilities of £100m. The terms of borrowing on these facilities (see note 21 to the accounts) include certain financial covenants. The key risks related to this borrowing are the failure to meet those covenants and potential early recall of facilities.

The risk around covenants is managed through monitoring to make sure that covenant compliance can be achieved in the event of financial performance falling below expectations, and to enable timely remedial action if necessary. All covenants are expected to be achieved based on the Group's current forecasts for the next five years.

Brexit

Management has considered Brexit as a risk and is of the view that any impact will be limited and manageable. Development will continue to be monitored and risks reassessed accordingly.

Prolonged poor performance of the England men's XV's team

Many of the revenue streams of the RFU depend on the performance of the men's senior team. Should the level of performance of the team fall for an

extended period of time, it is possible that this could affect revenues (tickets, broadcast, sponsorship) which are used to reinvest in the game. The Board of Directors and Professional Game Board regularly review professional rugby strategies and financial performance to manage this risk; the Professional Game Agreement is in place to make sure that there is sufficient access to the players to be able to sustain performance.

Grassroots participation

Growing and sustaining the community game at all levels, both men’s and women’s and across all age grades, is critical for the future success of rugby in order to develop the elite players of the future, and in order to make sure that as many people as possible benefit from involvement in the game of rugby.

One key threat to participation is lack of available pitches particularly during periods of bad weather. Together with other participation projects, one mitigation has been investment in Artificial Grass Pitches (AGPs) to provide a consistent surface on which to train and play throughout the year. The 15 new AGPs which opened last year brought the total of pitches nationwide to 26, with another two under construction.

A growing and diverse rugby membership requires an upgrade in facilities and many clubs have been awarded smaller grants and loans to improve their facilities. Changes to benefit women players, who have often suffered from a lack of sufficient changing facilities, have become a key area of focus for such awards.

Increasing competition from other forms of leisure activity, and a new generation of consumers who have different expectations and are driven by technology, presents potential risks to our participation levels and commercial revenue unless we adapt accordingly.

To appeal to this new player and fan base, the RFU is providing opportunities to play alternative forms of the game, such as touch and sevens. This enables people to play in different places, at a wider variety of times and to choose the type of rugby that most appeals to them (for example contact versus non-contact). Technology is

supporting this strategy with new ways of engaging individuals with rugby content, delivered digitally. The development of a new stadium app and digital ticketing for supporters visiting Twickenham, introducing online sign up and registration starting with the age grade game in season 19/20, and further roll out of the Electronic Match Card with this information being surfaced on englandrugby.com and in personal profiles, are examples of initiatives to meet the needs of a new generation of players and spectators.

The RFU is also committed to making rugby as inclusive as possible and a working group, which includes members of the Council, National Youth Council and independent members, has been working on recommendations for positive action. The Union launched its new Transgender Policy in May 2019 to give a clear framework for transgender and non-binary players’ participation in the game.

The RFU is committed to ensuring investment in the community game remains significant, in order to sustain and grow the game. Rugby Development remains the largest workforce in the RFU, with 234 employees across the country.

Player Welfare

Player welfare is a key priority and at the core of all training delivered to coaches, referees and medics, at all levels of the game. Rugby union involves physical contact, and any sport or physical activity has an inherent risk of injury. Understanding, communicating and appropriately managing this risk is critical for both player welfare and for the sustainable health of the game.

The RFU is committed to protecting players and has successfully implemented a range of evidence-based player safety and wellbeing programmes across the game, as well as injury and illness prevention initiatives.

These programmes include RugbySafe, our overarching player safety and wellbeing programme; Activate, a programme of movement specific warm-up exercises shown to reduce injury and now promoted globally by World Rugby; and our Headcase concussion awareness and education resource. The RFU-led

Pre-Hospital Immediate Care in Sport Programme is regarded as an exemplar in its field.

The RFU commissions independent research into the injury risk across the game. These projects, the Professional Rugby Injury Surveillance Project (PRISP), Community Rugby Injury Surveillance Project (CRISP) and the Women’s Rugby Injury Surveillance Project (WRISP) provide the RFU with detailed information on the nature and risk factors for injury and illness that informs the evaluation of risk and the development of evidence-based programmes to mitigate risk across the game.

The RFU works closely with World Rugby and has played a leading role in a number of key co-ordinated welfare and safety initiatives, including the 18-19 Championship Cup armpit tackle height trial, the development of the high tackle sanction framework and the recent law change to prevent loading of the hooker’s neck at the bind phase of scrum engagement.

In the thankfully rare incidents of catastrophic injury, the RFU Injured Players Foundation provides immediate and lifetime support to players and their families with the aim of getting the injured player to lead as full and independent a life as possible.

The RFU is committed to safeguarding the welfare of children in the sport. All children are entitled to protection from harm and have the right to take part in sport in a safe, positive and enjoyable environment. The Statutory Guidance ‘Working Together to Safeguard Children (2018)’ makes clear that sports clubs and governing bodies have a significant responsibility to safeguard children and vulnerable adults. The RFU’s Safeguarding Policy sets out the roles and responsibilities of RFU staff, clubs and constituent bodies to ensure this is done correctly. These meet the NSPCC Child Protection in Sport’s National Advanced Standards and are audited each year.

Governance and integrity

Governance

Strong governance procedures within the game are crucial to maintaining the integrity of the sport in England, as well

MAJOR RISKS AND UNCERTAINTIES

as maintaining the RFU's reputation as the game's governing body and the continuance of sponsors' and other partners' involvement. A lack of governance would risk poor operational, financial and strategic decisions being made, impacting on the long-term sustainability of the game as a whole.

The proposed changes to RFU governance, outlined in the 2017 Annual Report, were implemented during the year. They have improved the RFU's governance, providing transparency over the roles and responsibilities of each body involved in the decision making process, and ensuring that the right decisions are made by the right people.

The depth and diversity of experience of members of the Board and executive team, particularly the experience of independent Non-Executive Directors, means that there is a high level of experienced scrutiny and oversight of the biggest decisions made by the RFU. Disciplinary, safeguarding and anti-doping frameworks are reviewed regularly to ensure they remain robust and relevant. Gambling and doping are critical risks to the integrity of the game and the RFU governs these both by providing clear and regular information to people within rugby so that everyone understands their responsibilities, and by implementing disciplinary proceedings in all cases of non-compliance.

Data privacy and cyber security

The RFU recognises that the risks associated with data privacy and cyber security are significant and constantly evolving. The key risks that the RFU currently face relate to the industry trend of an increase in malicious email phishing attacks, maintaining the security of the databases and the potential for disruption to business operations, particularly on event days, through a malicious attack of RFU networks. Further work has been carried out in the year to support ongoing compliance with the General Data Protection Regulation (GDPR) and more broadly to understand and mitigate against a range of potential cyber

risks. Policies are in place, including Data Protection and Privacy Notices, mandatory GDPR training and regular communication of guidance for all RFU employees and technology changes such as the introduction of Two Factor Authentication. There is also regular engagement with the National Cyber Security Centre (NCSC) to benefit from the government's latest guidance on cyber security. This work continues to be monitored by the GDPR steering committee to ensure that the RFU is complying with ever-evolving requirements for data privacy and cyber security.



**CORPORATE SOCIAL
RESPONSIBILITY**



The RFU is proud to be at the very heart of the Twickenham community and values its partnerships with organisations in both the Richmond and Hounslow boroughs.

Community Engagement

The RFU values its place in the Twickenham community and its partnerships with organisations in the Richmond and Hounslow boroughs.

Contributing around £3m every year in local business rates to Richmond Council and generating £96m economic activity in the borough annually, which equates to around £1,200 per household towards local services (EY 2015 report), the RFU is also a significant employer.

More than £2 million is invested each year on Twickenham event day measures, the RFU funding street cleaning, parking enforcement, mobile toilets, stewarding and shuttle buses. Work continues with community representatives and organisations, the two local authorities, police and transport operators to minimise disruption to neighbours.

Hundreds of international match tickets are set aside for local residents' purchase through a ballot and any concerts have a thousand discounted residents' tickets.

Charities and schools receive complimentary tickets to some stadium events. Free use of some stadium facilities for events and meetings is also part of the RFU's Community Space Programme.

Highlights from the past year include: installation of solar panels at Bishop Perrin Primary School, Smoothie Bikes at the Whitton Youth Zone, and working with Integrated Neurological Research and the Downs Syndrome Association. Ivybridge and St Stephen's Primary Schools pupils formed England's guard of honour at the HSBC London Sevens, local carers were welcomed for Christmas lunch, and England Sevens squads again visited West Middlesex Hospital patients over Christmas.

A major milestone saw the Duke of Northumberland's River Walkway opened along the western perimeter of the stadium. Working with partner organisations, the RFU ensured that this last link from Richmond to Hounslow will benefit local people.

The RFU Injured Players Foundation (IPF)

The IPF supports catastrophically injured players, their families, friends and clubs immediately after injury and throughout their lives.

On the rare occasions when someone sustains such an injury while training or playing rugby union in England, they become a lifelong client of the charity, whose Patron is the Duke of Sussex. The IPF is incredibly grateful for his personal interest and continuing support. In July, the IPF was a beneficiary when The Duke of Cambridge and The Duke of Sussex played in the 2019 King Power Royal Charity Polo Day, raising over £1m for 15 charities that they support.

Clients and their partners gained from a personal development activity course at the Battleback Centre in Lilleshall. The third year of this initiative saw them enjoy different sports and adventurous training activities over a long weekend, with coaching and peer support to help identify and tackle their personal barriers to independence.

The charity's Engage programme, which supports catastrophically injured players to get more active and involved in group events, building confidence and self-esteem, took a group out to Andorra skiing. Three scuba try dives

in partnership with the Scuba Trust also saw encouragement from IPF client Tom Hughes, the only qualified BSAC dive instructor to qualify while using a wheelchair after injury, and who achieved a doctorate during the year.

Twickenham Stadium's specially adapted hospitality box welcomes IPF clients to all England internationals to socialise, share experiences and enjoy the match from an accessible terrace. Clients' sons and nephews were mascots at England Test matches at Twickenham and clients met the charity's Patron before the England v New Zealand Quilter International. Regional lunches at several rugby clubs extended this camaraderie.

A team of Rugby Runners took part in the London Marathon and many other events, and walkers and cyclists in the Pass the Ball challenge left Twickenham and covered 150 miles to Stourbridge Rugby Club. Generous members of the rugby community contributed to the raising of over £400,000 to help the IPF support and protect the rugby family.



Try for Change

England Rugby worked in partnership with Comic Relief to deliver grants through the Try for Change Fund using rugby and its values to improve the lives of disadvantaged and marginalised people in England and across the world.

In January 2018, £100,000 grants were awarded to six charities, community groups and rugby clubs for work delivered over two to three years. The projects joined the Try for Change portfolio alongside 11 that received a small grant and one international grant.

Projects support beneficiaries across four main social outcomes: increased

community cohesion, increased employability, improving physical and mental health, and reduction in gangs and reoffending. They include: working with young people in the criminal justice system in Manchester, with International Mixed Ability Sport to introduce mixed ability rugby into 20 clubs, and taking rugby into disadvantaged London communities with Street League to create opportunities for unemployed young people.

Try for Change is also working with Sale Sharks on a Team Talk project using rugby to tackle loneliness, social isolation and dementia among people aged 60+, and is partnering with Stonewall to work with coaches, players and fans to create LGBT inclusive environments at clubs throughout England. A partnership with Leicester Tigers and the National Literacy Trust uses rugby to inspire young people to improve their literacy skills.

Environmental Responsibility

The RFU has made a commitment to prioritise environmental protection through reducing environmental impact. Appropriate controls have been established as well as processes to protect the environment, minimise adverse impacts through efficient use of natural resources, and ensure adherence to applicable compliance obligations.

To further reduce the use of single-use plastics and support the London Borough of Richmond Upon Thames campaign, two plastic bottle reverse vending machines were trialled during the summer Quilter Internationals, Twickenham Stadium being the first in the UK to provide this service.

The Stadium's environmental impact continues to be improved through event and non-event day recycling and an extended waste compound area will allow additional compactors and waste segregation to increase waste management efficiency. The goal is an average recycling rate of 75% during event days.

The RFU continues to meet the International Standards Organisation

ISO 20121 for sustainable event management, Carbon Reduction Commitment Energy Efficiency Scheme and Energy Saving Opportunity Scheme. A fleet of electric buses has replaced diesel buses for all event day fixtures.

Measures implemented as part of the BREEAM assessment on the East Stand resulted in a sustainable development. A full commissioning and testing programme ensured efficient operations and ongoing monitoring of the building systems. A thermographic survey was completed to avoid heat loss and all gas, electric and water consumption is extensively metered. The building's operational energy demand achieved an Excellent BREEAM rating. The CO₂ emission rate is lower than standard emissions and photovoltaic systems generators recover waste heat for space heating and hot water generation. All external lighting has automatic daylighting controls. Building fabric specifications went beyond building regulations to reduce demand on energy consumption, with all materials A or A+ on green ratings. The East Stand design also meets BREEAM requirements for functional adaptability and designing for durability, ensuring a good building life cycle and a full security assessment was completed for occupant and visitor safety.

Accessible Areas

Twickenham Stadium has 400 accessible seats available, with spaces provided for personal assistants plus an accessible parking pass provided where required.

Great War commemorations

This was the last year of the RFU's four-year programme commemorating the 100th anniversary of World War I through remembering, educating and fundraising.

Military charity partners included the Commonwealth War Graves Commission (CWGC) and the Royal British Legion, and Twickenham's World Rugby Museum commemorated every international rugby player to have lost their lives in the conflict.

Commemorations concluded on the weekend of 10th November 2018 when England played New Zealand on the 100th anniversary of the Armistice. New Zealand having lost 13 internationals, the match paid fitting tribute and observed a moment's silence for all who left rugby fields for battlefields never to return.

The entire England XV that won the 1914 Five Nations Grand Slam enlisted, including captain Ronnie Poulton, one of six squad members and 27 former England players who died.

Former England flanker Lewis Moody was the RFU's official commemorations ambassador and among a party from the Union, which included descendants of fallen England players, who laid wreaths at the Menin Gate and visited Poulton's grave at the Royal Berks Cemetery in Belgium. Recalling Poulton's reported dying words "I shall never play at Twickenham again", Moody took soil from the Twickenham pitch to his grave and soil from the grave to bury and mark beside the pitch.

The RFU is a signatory of the Armed Forces Corporate Covenant and match day activities feature servicemen and women, with an allocation of tickets for the Armed Forces for each England Twickenham match. Where possible, the Union also makes tickets available to the Help for Heroes Rehabilitation Centre, The Royal Hospital, Chelsea, and the Tickets for Troops charity.

DIRECTORS' REPORT

**RFU STRUCTURE
GOING CONCERN STATEMENT
EQUALITY STATEMENT
EMPLOYEE CONSULTATION
RFU BOARD
CORPORATE GOVERNANCE**

RFU Structure

The RFU is unique among national governing bodies as having a cooperative structure. Rather than being a company, it is a society registered under the Co-operative and Community Benefit Societies Act, meaning that it is a members' organisation. The one member, one vote principle is enshrined in the RFU's Rules, its constitutional document. The membership is predominantly rugby clubs, both professional and amateur.

The Board has the ultimate responsibility for the strategic direction of the RFU, and has the authority to exercise all executive functions other than clearly specified powers which are reserved to Council or the members.

The Board is designed to be a combination of representatives of the game, together with executive staff and independent non-executive directors. Directors are appointed through a rigorous skills-based selection process to ensure the right combination of skills, experience and knowledge. With the exception of executive staff, all Board members are subject to limits on the time they can serve on the Board as set out in the RFU's Rules.

The Board has a number of committees responsible for different areas of its operation, most notably the Community Game Board, the Professional Game Board and the Governance Standing Committee. The Board is also served by an Audit Committee, a Remuneration Committee and a Nomination Committee.

The RFU Council has a dual role of driving policy relating to the game and monitoring and oversight of the Board,

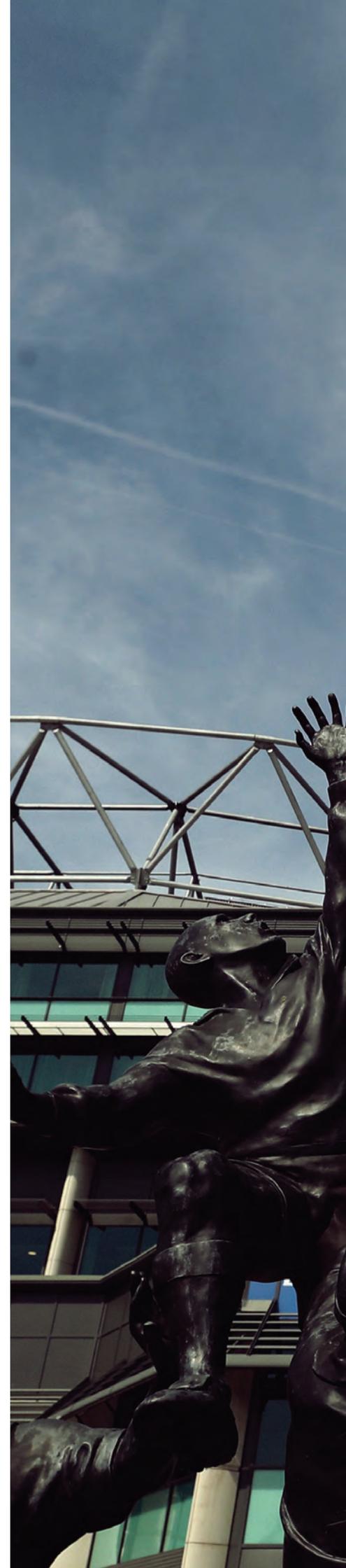
which it fulfils on behalf of the RFU's members.

The Council is made up of representatives elected by member clubs (largely on a geographic basis through Constituent Bodies), those appointed by the national representative bodies (such as Premier Rugby or the Rugby Players' Association), and some ex officio and co-opted members.

While executive authority sits primarily with the Board, the Council also has a number of specific reserved powers which include: deciding regulations on the playing and governance of the game and criteria for membership of the RFU; appointing and removing a number of Board directors and members of committees and sub-committees etc.; setting the date, time and agenda of General Meetings; the ability to call a Special General Meeting; co-option onto Council; deciding the policy for international tickets pricing and distribution.

Going concern

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities of the Group as described in the Strategic Report as well as its principal risks and uncertainties, also included in the Strategic Report as set out on pages 6 to 26. Based on the Group's cash flow forecasts and projections, which extend for not less than 12 months from the date of approval of the financial statements, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Company and Group to adopt the going concern basis in



preparing its Financial Statements. See note 21 to the Financial Statements for more information on the Group's borrowing and facilities.

Further details regarding the adoption of the going concern basis can be found in note 2(c) in the Accounting Policies section of the notes to the Financial Statements.

Equality

The RFU promotes equal opportunities in employment and in the game and seeks to ensure that everyone in England has the opportunity to be involved in rugby union, regardless of age, sex, pregnancy and maternity, gender reassignment, sexual orientation, marital status, race, religion or belief, or disability.

Addressing existing inequalities, providing opportunities where few exist and improving lives through rugby are all key aspects of the Union's work.

Employment

At 30th September 2019, the RFU's full and part-time permanent staff numbered 559 permanent employees. Joint venture company, Twickenham Experience Ltd, employs around 3,500 staff for bars and hospitality suites on major match days and offers 38,756 single working days across the stadium's conferences and events.

Employee consultation

Employee Surveys are carried out every two years and the most recent, in 2019, showed 80% of employees felt committed to the RFU and to their roles with only 8% responding negatively to this question. 91% reported understanding how their work

contributes to the objectives of their team and the RFU, only 4% responding negatively. Only 4% of employees responded negatively to the statement "I have the skills I need to do my work well", with 86% responding positively. And 88% of employees felt treated fairly and with respect by their managers.

All-staff RFU Live briefings took place three times in the year, giving employees the chance to hear from the leadership team about plans and progress, and the opportunity to ask questions.

THE RFU PROMOTES EQUAL OPPORTUNITIES IN EMPLOYMENT AND IN THE GAME



THE BOARD


**ROB
BRIERS**

Chairman of the Community Game Board, Rob Briers is one of Lancashire's representatives on Council. A member of the Twickenham Experience Limited Board, Rob chaired the Competitions Sub-Committee and County Championship Group and has served on the Governance Committee, Player Development Sub-Committee and Championship Committee.

Past President of Lancashire County, he played for West Park St Helens, Lancashire, North West Counties, the North of England and England U23s. He is a retired Chartered Secretary.


**ANDY
COSSLETT**

Andy Cosslett was elected Chairman of the Board in October 2016, replacing Sir Bill Beaumont DL who became Chairman of World Rugby. He previously held an Independent Non-Executive Director role on the Board and, as Chairman of England Rugby 2015, oversaw the delivery of the most successful Rugby World Cup in history. A lifelong association with rugby saw him playing for 25 years at Broughton Park, Davenport, Manchester University and Edinburgh Wanderers as well

as captaining the first 15 of Weybridge Vandals where he is Vice President. His 40 year global business experience has seen him hold CEO roles at Fitness First and InterContinental Hotels Group. He also spent 14 years with Cadbury Schweppes in a variety of senior roles around the world. He has been Chairman of Kingfisher plc since 2017.


**CHRIS
CUTHBERTSON**

Middlesex representative on the Council since 2003, Chris Cuthbertson is Chairman of Governance having previously chaired the Laws Sub Committee. He is a member of the Remuneration Committee and was a long-term member of the Audit Committee. He is a Vice President of Middlesex County RFU and a member of their Management Board. Chris launched and for many years ran the Middlesex Merit Table to promote competitive rugby

for the lower sides of clubs in the county and was instrumental in relaunching the county's women's team. He is the long-term Honorary Secretary and a Life Member of Hammersmith & Fulham RFC, where he helped to launch their women's and youth sections. He is an Imperial College graduate and a Fellow of the Institute of Chartered Accountants.


**SUE
DAY**

Sue Day became RFU Chief Financial Officer and a member of the RFU Board in March 2018. In October 2019 that role changed to RFU Chief Financial and Operating Officer. She is responsible for finance, legal and governance, technology, people, strategy and Twickenham Stadium, reporting to CEO Bill Sweeney. Her previous role was as Deal Advisory Partner at KPMG. Having been appointed partner in 2015, she worked as Lead Partner on a number of high profile mergers and acquisitions, and corporate finance transactions. She qualified

as a chartered accountant and had 20 years' significant experience in financial roles at the accountancy firm. A former England rugby captain and prolific try scorer, Day is also past president of Wasps FC, having played for the club for 14 years. She was capped 59 times for England, winning three Grand Slams, and also captained the England Sevens team and coached the developmental team. She is a founding trustee of the Women's Sports Trust, and has been a rugby commentator for Sky Sports and World Rugby.


**PHIL
DE GLANVILLE**

Phil de Glanville has been on the RFU Board of Directors since September 2018. A former England captain, he played centre for Durham University while an Economics and Politics student and then won a Blue at Oxford, as well as representing England U21s. He played 189 times and scored 53 tries for Bath in a 12 year career with the club, which also saw him captain them to a league and cup double in 1996, the year he was appointed England captain for the season. Bath also won the European Cup in 1998. In all, Phil won 38 England caps in his

seven years in the England squad, including both World Cups in 1995 and 1999. He was Director of Elite Sport at Hartpury College, and has previously worked at Sport England as Head of Delivery, and then as an NGB Relationship Manager, being responsible for Sport England's relationships with five national governing bodies, including the RFU. He is now working as a Director and co-owner at the executive search firm Hanover Fox where he has been for four years, based in Bath and London.


**DEBORAH
GRIFFIN OBE**

Deborah Griffin OBE is the RFU's first female representative to the World Rugby Council and a previous Women & Girls representative on the RFU Council. Having started playing rugby at University College London, she captained the first English women's club side at Finchley in its first year and later played for a further seven years at Richmond. A founding member of the Women's RFU in 1983, she chaired the organisation of the first Women's Rugby World

Cup in 1991 in Cardiff. Returning as finance officer to the RFUW in 2002, she subsequently chaired their Board and saw them through to full integration with the RFU in 2012. The bursar at Homerton College, Cambridge University, she is the Cambridge University RFU Secretary and was awarded an OBE for services to rugby.


**SIMON
MASSIE-TAYLOR**

Simon Massie-Taylor joined the RFU in September 2016 as Chief Commercial Officer from the British Olympic Association (BOA) where he was Commercial Director. That role changed to Chief Commercial and Marketing Officer in October 2019. Simon is responsible for all of the RFU's commercial operations and revenue-generating activities including broadcast, sponsorship, ticketing, retail, brand and marketing. Before joining the BOA,

Massie-Taylor was Senior Vice President Commercial for Tough Mudder in New York and was also part of the commercial team at LOCOG, the organisers of the London 2012 Olympic Games and Paralympic Games. Simon began his career in finance, where he trained as a chartered accountant at KPMG and worked as an associate at the investment bank Rothschild and Sons in London.


**STEPHEN
PEARSON**

The Oxford University representative on the RFU Council, Stephen Pearson is chairman of Trustees of the RFU Pension Fund and a Trustee of the RFU Injured Players Foundation. A former fund management director of Jupiter Asset Management and currently their Chief Investment Officer, he is a Thomas Pope fellow

of Trinity College Oxford and an Oxford Blue. He is a member of London Scottish RFC.


**DOMINIC
PROCTOR**

Dominic Proctor is the RFU's Senior Independent Director and has been on the Board since 2016. He spent the whole of his professional career in advertising and media, mainly running agencies owned by the WPP group. From 2012-2017 he was Worldwide President of GroupM, the division of WPP responsible for buying 30% of the world's

advertising media, with 30,000 employees in 100 countries. Prior to that he had been founder and CEO of Mindshare and CEO of JWalter Thompson. He is now a consultant to small businesses and Chairman of two national charities. He played rugby for Durham University where he was forced to retire through injury.


**GENEVIEVE
SHORE**

Independent Non-Executive Director Genevieve Shore was appointed in September 2017, having played rugby for England, including in the 1994 Women's Rugby World Cup winning team. Knowledgeable and passionate about the game, she is also an experienced Non-Executive Director. Her career has been dominated by working in publishing in various roles, including Global Digital

Director of Penguin Group, and culminating in being Chief Digital Officer and then CIO for Pearson. Since 2014, Genevieve has taken on a portfolio of Non-Executive Director positions across a variety of organisations including Santander UK, Lego, Money Supermarket and Scottish Television. Genevieve also sat on the RFU's All Schools Board.

THE BOARD

CONTINUED



**BILL
SWEENEY**

Bill Sweeney was appointed Chief Executive Officer of the Rugby Football Union in May 2019, after serving nearly six years as Chief Executive Officer at the British Olympic Association. A record-breaking London 2012 Olympic Games preceded Team GB becoming the first host nation to win more medals in the following Rio 2016 Olympic Games, when they came second in the medal table. During Sweeney's tenure, Team GB also delivered best-ever performances at two consecutive

Winter Olympic Games. He left a very strong British Olympic Association, both financially and in readiness for Tokyo 2020. His earlier business career included senior roles at adidas and Puma, and corporate management with Shell, Mars and Unilever. Although a lifelong rugby supporter, he was initially a schoolboy footballer at Chelsea FC and then English Universities captain. He switched to rugby first with Aberdeenshire RFC and then Abu Dhabi, Rosslyn Park FC and Weybridge Vandals RFC.



**JONATHAN
WEBB**

Jonathan Webb is the World Rugby Representative on the RFU Council and chairs the RFU Concussion Risk Management Group and the Medical & Sports Science Technical Advisory Group. He played full back for the University of Bristol, for Bristol, Bath and England, earning 33 England caps and 298 points between 1987-93. He was voted Rothmans Rugby Player of the Year in 1992. He

is President of United Bristol Hospitals RFC and Honorary Vice President of University of Bristol RFC. Jonathan is a full time consultant orthopaedic surgeon specialising in knee surgery and sports injuries.



**HELEN
WEIR CBE**

Helen Weir CBE, an RFU Independent Non-Executive Director, is also a Non-Executive Director of Just Eat and SuperDry. She is a former CFO of Marks & Spencer, having previously held positions as Group Finance Director at John Lewis Partnership and Lloyds Banking Group. She has enjoyed successful and varied roles in leading British businesses such as Kingfisher, B&Q and McKinsey and Co.

An experienced Non-Executive Director, Weir was previously on the Board of SAB Miller and Royal Mail. She is also a Trustee of Marie Curie. She is passionate about rugby and has served as treasurer of Beaconsfield RFC, managed a local mini rugby team from U7 to U11, and was previously involved in Wasps Community Foundation.



**PETER
WHITING**

Peter Whiting is a Wing Commander in the RAF and a Council member since 2007. He has previously completed a term on the Board of RFU Directors and returns to the Board for a second time. Capped by the RAF, he played for numerous civilian club sides alongside RAF representative rugby duties and still plays occasionally for the Commons and Lords. He has been involved in RAFRU administrative

duties for 18 years. He has an MSc in Sport Management, Governance and Policy, an MA in Leadership Studies and a Bachelors in Education (Physical Education).

GROUP AUDIT AND RISK COMMITTEE

Membership of the Committee

Name	Role	Member since	Meetings attended in year
Helen Weir	Chair - Independent Non-Executive Board Member	2016	4 out of 4
Deborah Griffin	RFU Council Member and Non-Executive Board Member	2012	4 out of 4
Philip Johnson	Independent Member	2016	4 out of 4
Mike Waplinton*	RFU Council Member	2016	2 out of 3
Tim Miller**	RFU Council Member	2019	1 out of 1

*- resigned February 2019

**- appointed February 2019

Note: The maximum number of scheduled meetings held during the season that each member could attend is shown next to the number attended. A number of additional meetings and calls were held as required, particularly as part of the external audit tender process.

Membership of the Committee

The Audit and Risk Committee is comprised of four members, of which at least two must be Non-Executive members of the Board. At least one member must be an Independent Non-Executive Director and at least one must be a Council member on the Board. At least one member must have recent and relevant financial experience.

Members are appointed for three-year terms with an aggregate maximum term of nine years. Helen Weir, an Independent Non-Executive Director, chairs the Committee.

Other attendees at Committee meetings included the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Legal and Governance Director, Financial Controller, Financial Reporting Manager, internal and external auditors and other members of staff as required. Committee members met without others present several times during the year, and also held private sessions with the Chief Financial Officer and internal and external auditors, creating an environment where all issues could be discussed frankly.

Purpose of the Committee

The role and responsibilities of the Audit and Risk Committee are set out in written terms of reference which are reviewed annually by its members, taking into account relevant legislation and recommended best practice. The key responsibilities of the Committee are to assist the Board in relation to the following matters, bringing relevant issues to their attention:

- Oversight of the integrity of the RFU's financial statements and approval of key judgements.
- Oversight of the internal and external auditors' performance, objectivity, qualifications and independence arrangements.
- Review of the effectiveness of the RFU's internal control systems.
- Recommendation to the Board of the external auditors' appointment for member approval at the AGM and approval of their fees.
- Approval of the internal audit plan.
- Review of the external audit work programme.
- Monitoring, overseeing and advising the Board on the RFU's risk management process.
- Oversight of compliance with legal and regulatory requirements.
- Reviewing terms of reference on an annual basis.

Activities of the Committee

During the year the Committee covered a variety of topics in its meetings. These

included both standing items that the Audit and Risk Committee considered as a matter of course, typically in relation to risk, internal controls, potential litigation, accounting policies, judgements and reporting matters, and a range of deep-dive topics relevant to the RFU's key risks. The Committee's principal activities were as follows:

Financial Statements

The Committee reviewed and approved the annual report and financial statements, including the accounting policies and significant judgements and estimates underpinning their preparation as disclosed in notes 2 and 3 on pages 53 to 59.

Particular attention was paid to the following significant areas of judgement and estimation in relation to the financial statements:

- The carrying value of the East Stand in light of expected future financial performance and approach to capitalisation of costs of the project.
- The assumptions used and the accounting treatment of the defined benefit pension scheme surplus.
- The accounting treatment relating to the recognition of the deferred tax asset.
- The recoverability of debts.
- The recognition, measurement and reassessment of tangible fixed assets.

GROUP AUDIT AND RISK COMMITTEE:

(CONTINUED)

The Committee concluded that these were significant judgement areas that required specific disclosure in the financial statements.

The following recurring judgements and estimates were also discussed by the Committee:

- Professional Game Agreement
- Artificial grass pitches
- The contractual agreement with Compass plc regarding their shares in Twickenham Experience Limited
- Basis of consolidation

For each of the above areas the Committee considered the key facts and judgements outlined by management with relevant individuals attending the meeting to answer questions posed by the Committee. The issues were also discussed with the external auditors. The Committee was satisfied that there are appropriate accounting policies in place in relation to these significant issues and management have correctly applied these policies, making appropriate judgements as required.

The Committee also considered whether a fair representation of the key risks and uncertainties to the business had been included in the Annual Report. Finally, the Committee undertook a review of the appropriateness of adopting the going concern basis of accounting in preparing the annual financial statements. The Committee reviewed the cash flow and loan covenant projections for the RFU, including sensitivity analysis, and concluded that there is reasonable expectation that the RFU will have sufficient cash to continue in operation and meet its liabilities as they fall due and comply with its loan covenants for at least the next 12 months.

The Committee recommended to the Board of Directors, and the Board has approved, that the audited consolidated

financial statements be approved and included in the Annual Report for the year ended 30 June 2019.

Risk Management and Internal Control arrangements

The Committee reviewed the RFU's overall approach to risk management and control, and its processes and related outcomes.

Sources of assurance to the Audit and Risk Committee of the effectiveness of risk management and internal controls procedures were:

- Internal audit – the Audit and Risk Committee approved the internal audit plan and received reports in the year on a number of topics including Artificial Grass Pitches, England Rugby Hospitality, Facilities Management, Fixed Assets, Key Financial Controls, Payroll, Twickenham Experience Limited, Player Data and Payroll.
- Management updates – papers and verbal updates were submitted on a range of issues, including whistleblowing and speak-up policies, claims and litigation, risk and contract management and taxation.
- GDPR – the Committee monitored progress of the RFU's compliance with the new General Data Protection Regulation (EU) 2016/679 that came into effect in May 2018.

In addition, the Committee received a number of deep dive presentations from management including:

- Artificial Grass Pitches (AGP) – the Committee discussed the RFU's AGP strategy together with operational and financial controls and monitoring activities associated with the programme.
- Twickenham Experience Limited (TEL) – the Committee discussed the TEL business model, covering the roles and responsibilities of the parties to this 'joint venture' as well as key risks to the business and how they are managed. Performance following the opening of Twickenham Stadium's new East Stand hospitality area was also discussed.

- Safeguarding – the Committee discussed the RFU's progress in managing safeguarding in three areas: policy, reporting and assurance of safeguarding processes in the community game.
- Health and safety – the Committee discussed progress of remedial actions being taken following the previous year's independent report on Health and Safety for Twickenham Stadium. The Committee also discussed the processes in place for governance and reporting of health and safety to ensure that management and Board are aware of issues and actions being taken.
- Fraud and internal control – the Committee discussed the RFU's internal controls framework as well as significant fraud risks facing the RFU and how they were being managed.
- Cyber risk – the Committee discussed cyber security at the RFU including the key risks facing the Union and the steps that were being taken and controls that were in place to help mitigate them.
- Delegation of Authority Matrix (DoA) – the Committee reviewed the DoA and discussed proposed amendments before proposing the updated document to the Board for approval.
- East Stand - the Committee reviewed and approved the scope for the East Stand lessons learned review.

In fulfilling its responsibilities in relation to risk management, internal control and the financial statements, the Committee met regularly with senior members of management and ensured the internal audit assurance reviews addressed key areas of risk.

Internal audit

Internal audit is an independent and objective assurance function which aims to assess and improve the RFU's overall control framework. Internal audit at the RFU is undertaken by RSM, an independent accountancy firm. The Audit and Risk Committee defines the responsibility and scope of the internal audit function and approves its annual plan.

During the year, the Committee evaluated the performance of the internal auditors and was satisfied with their effectiveness. One area for improvement was to ensure that the Internal Auditors attend Executive Team meetings on a regular basis throughout the year.

External auditors

As Mazars had been the RFU's external auditors for 13 years and five years had passed since the last audit tender, it was considered good corporate governance practice to review this relationship and carry out a tender during the year.

As part of this process, the Committee conducted extensive interviews with bidding firms and, following a rigorous assessment and evaluation process, recommended to the Board of Directors that BDO be appointed as the Group's new external auditors. The RFU's members approved the appointment of BDO at the AGM on 14 June 2019.

Both the RFU and BDO have safeguards in place to avoid the possibility that the external auditors' objectivity and independence could be compromised, such as audit partner rotation and the restriction of non-audit services that the external auditors' can perform. During the tender, the Committee reviewed reports on the actions BDO take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from the RFU. The Committee was satisfied with BDO's independence.

During the year, the external auditors did not carry out any non-audit work for the RFU.

Audit of the Annual Financial Statements

The external auditors, BDO, reported in depth to the Committee on the scope and outcome of the annual audit. This reporting included their significant findings, internal control recommendations and summary of misstatements.

The Committee met in a closed session with the external auditors during the year and reviewed and agreed their audit plan. The Committee discussed

the views and conclusions of BDO regarding management's treatment of significant transactions and areas of judgement during the year and BDO confirmed that they were satisfied that these had been treated appropriately in the financial statements. In particular, the Committee focussed on areas of potential disagreement between management and the external auditors and how these had been resolved.

Evaluation of the Audit and Risk Committee

The Committee carried out an assessment of its overall performance in the year. Overall, the assessment concluded that the Committee is performing effectively. A small number of areas of improvement were identified and the recommended improvement actions are being implemented.

REMUNERATION COMMITTEE

Membership of the Committee

Name	Role	Member since	Meetings attended in year
Dominic Proctor*	Chair - Independent Non-Executive Board Member	2017	3 out of 3
Genevieve Shore**	Chair - Independent Non-Executive Board Member	2019	1 out of 1
Andy Cosslett	Chair of the Board	2016	4 out of 4
Malcolm Caird	RFU Council Member	2016	3 out of 4
Chris Cuthbertson	RFU Council Member and Non-Executive Board Member	2014	4 out of 4
Naomi Sutcliffe	Independent	2018	3 out of 4

*Resigned February 2019

**Appointed March 2019

Note: The maximum number of scheduled meetings held during the season that each member could attend is shown next to the number attended. Additional meetings and calls were held as required.

The Remuneration Committee is comprised of five members, of which at least two must be Non-Executive members of the Board and one of whom must have recent and relevant remuneration related experience. Members are appointed for three-year terms that may be extended by one further term of three years. Genevieve Shore, an independent non-executive member of the Board, chairs the Committee.

Other attendees at Committee meetings included the Chief Executive Officer, the Human Resources Director and the Company Secretary.

Purpose of the Committee

The Committee is responsible for determining and agreeing the framework, policies and remuneration packages for the Chief Executive Officer, Executive Directors and anyone whose salary exceeds £150,000 per annum.

This includes the England Men's XV Head Coach position, certain other Men's XV coaching positions and employees in subsidiary companies. The Committee also reviews annual service fees for the Chair of the Board and Non-Executive Directors.

The role and remit of the Remuneration Committee is regularly monitored for its effectiveness and appropriateness for

the business, while the Terms of Reference are required to be reviewed by the Committee at least every three years.

During the year, Dominic Proctor stood down as Chair of the Committee. An internal selection process was conducted and Genevieve Shore joined the Committee in March 2019.

Genevieve has strong leadership experience as Chief Product and Marketing Officer of Pearson plc, and previously as Director of Digital Strategy and Chief Information Officer. Genevieve currently holds a number of Independent Non-Executive Directorships, including with Santander (on their remuneration committee) and the Money Supermarket Group.

Activities of the Committee

The Remuneration Committee held four meetings during the year alongside four additional conference calls. The increased activity was as a result of significant recruitment decisions in relation to the CEO for which the committee needed to consider remuneration matters.

The principal items covered at meetings were:

- Annual pay review and bonus
- Executive bonus structure for 2018/19 and 2019/20
- Executive KPIs
- CEO recruitment and remuneration

- Succession planning
- Annual review of Remuneration Committee performance by members
- Chair's annual report to the Board
- Ad hoc remuneration

The Committee regularly receives assistance in considering Executive remuneration matters from members of senior management, including the HR Director and the CEO. These individuals attend meetings by invitation during the year, while ensuring that no person is present during any discussions relating to their own remuneration.

Remuneration decisions

Total remuneration (including salary, car allowance, benefits in kind, pension contributions and bonus) paid to the Executive Officers on the Board for the financial year was:

	2019 £000	2018 £000
Bill Sweeney (joined May 2019)	67	n/a
Nigel Melville *	231	n/a
Ian Ritchie	n/a	238
Steve Brown (departed December 2018)	572	395
Simon Massie-Taylor (joined September 2016)	313	244
Sue Day (joined March 2018)	351	72
	1,534	949

*This relates to the period from 16 November 2018 to 8 May 2019 when Nigel Melville was interim Chief Executive and a member of the Board.

These figures include bonus payments on an accrual basis. Neither the Directors' bonus scheme nor the All Employee bonus scheme paid out in respect of the 2017/18 financial year.

Total remuneration for the full senior management team was £2.69m (2018: £2.34m). The increase is primarily due to the departure of Steve Brown as Chief Executive.

Total remuneration that each of the Non-Executive Directors on the Board are entitled to be paid is as follows:

	2019 £000	2018 £000
Jeff Blackett (Resigned August 2018)	2	25
Rob Briers	25	25
Andy Cosslett	80	80
Chris Cuthbertson	25	25
Deborah Griffin	25	25
Stephen Pearson (Appointed August 2017)	25	23
Dominic Proctor	30	30
Genevieve Shore (Appointed September 2017)	25	19
Jonathan Webb	25	25
Helen Weir	30	30
Malcolm Wharton	25	25
Phil de Glanville (Appointed August 2018)	23	0
	340	332

Some Non-Executive Directors have decided to forego their Board fees or donate them to charity and so not all of these amounts were paid out. Total amounts paid in 2019 were £0.30m compared to £0.33m in the previous year. Total amounts paid to all Board members in the year therefore were £1.8m.

Pay decisions

The Committee reviewed and approved remuneration for the new CEO, the payment on departure of the previous CEO, the interim CEO arrangements, England senior team coaching positions, some Executive team pay increases and some senior team coaching contract extensions.

The Committee also approved the payment of an all-employee bonus, based on the fulfillment of the organisational KPIs, and payment of Executive bonuses based on fulfilment of organisational and individual KPIs.

Gender Pay Reporting

The RFU published its Gender Pay Reporting Statistics in line with government legislation in March 2019. In our Strategic Plan we committed to the diversity and inclusion agenda and this is an enabler to our business priorities and strategic ambition. The Gender Pay Report can be found at the following link: www.englandrugby.com/about-rfu/annual-reports

BOARD NOMINATIONS COMMITTEE:

Membership of the Committee

Name	Role	Member since	Meetings attended in year
Dominic Proctor	Chair - Senior Independent Non-Executive Board Member	2017	3 out of 3
Andy Cosslett	Chair of the Board	2017	3 out of 3
Genevieve Shore	Independent Non-Executive Board Member	2017	3 out of 3
Mike Waplington*	RFU Council Member (ex officio as chair of Council Nominations Committee)	2018	3 out of 3

*Appointed August 2019

Note: The maximum number of scheduled meetings held during the season that each member could attend is shown next to the number attended. Additional meetings and calls were held as required.

Following the introduction of the Code for Sports Governance, the RFU restructured the way in which its nominations and appointment processes work. Included in these changes was the introduction of a Board Nominations Committee to work alongside the Council Nominations Committee.

Membership of the Committee

The composition of the Board Nominations Committee is as required in the Code for Sports Governance, save that Sport England has agreed that it may be chaired by an Independent Non-executive Director rather than the Chair of the Board of Directors. It consists of a majority of independent directors, but in order to provide day-to-day linkage with the Council Nominations Committee, the Chair of that committee is also a member of the Board Nominations Committee.

Purpose of the Committee

The Committee is responsible for making recommendations to the Board for the appointment of:

- The Chair of the Board of Directors;
- The Independent Non-executive Directors;
- The Chair of the Community Game Board;

- The Chair of the Governance Standing Committee;

- The Senior Representative on the Professional Game Board;

As well as other roles appointed by the Board, such as:

- International representatives;
- Directors of subsidiary companies.

The Council Elected Directors of the Board are appointed by the Council on the recommendation of the Council Nominations Committee. In each case, appointment of members of the Board is subject to ratification at the AGM.

Activities of the Committee

CEO Recruitment

A principal piece of work for the Committee was the appointment process for the incoming CEO, Bill Sweeney. This process was led by the Committee, with input from additional members of the Board during the selection process.

International Representatives

During the 2018/19, season the Committee recommended the reappointment of Jonathan Webb as one of the World Rugby Representatives, and the appointment of Nigel Melville to replace Stephen Brown as another, together with Deborah Griffin OBE who was appointed in the previous year. It also recommended to the Board that Bill Sweeney and Nigel Melville become Six Nations Representatives to replace Jason Leonard and Stephen Brown.

Joint Working and Succession Planning

The Committee worked together with the Council Nominations Committee to plan the succession of volunteers within the RFU's governance structure, both in relation to the Board of Directors, and other significant roles such as representatives to international bodies and members of key committees and sub-committees, such as the Community Game Board. The Council Nominations Committee recommended the appointment of Peter Whiting as a Council Elected Director to replace Malcolm Wharton, who had reached the end of his term on the Board.

The Board Nominations Committee and Council Nominations Committee meet together once a year on a formal basis but members also meet and speak on a more regular basis. This ensures that the work of the two committees is aligned, and that the Council Nominations Committee's knowledge of the skills and experience of the RFU's volunteer resource is understood by the Board Nominations Committee. The two committees also share a secretariat to ensure close alignment.

Diversity

The Board is committed to having a diverse membership, and has committed to meet the target set in the Code for Sports Governance of having over 30% female representation on the Board. Currently, four of the 14 Board members are female, meaning representation stands at 29%. Both the Board Nominations Committee and Council Nominations Committee make recommendations for appointments to the Board, and therefore both will have a role to play in advancing an inclusive environment which respects all

BOARD NOMINATIONS COMMITTEE: (CONTINUED)

strands of diversity, including ethnicity, disability and sexual orientation.

Other future work

The introduction of term limits for Council members will mean that succession planning by both committees must be done over a shorter period of time, and therefore there is likely to be increased focus on placing Council members in positions of responsibility earlier than has been the case previously.

The Council Nominations Committee is also examining ways of providing feedback on the performance of Council members to those who elect them. These proposals will be presented to the Council in due course.



STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Directors to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Rugby Football Union and of its income and expenditure for that period. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and apply them consistently.
- Make the necessary judgements and estimates which are both reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Rugby Football Union will continue in business.

The Board of Directors is responsible for keeping proper books of accounts that are sufficient to show and explain the Union's transactions and disclose with reasonable accuracy at any time the assets and liabilities of the Union, and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969. The Board of Directors has a general responsibility for taking such steps as are reasonably open to it to safeguard

the assets of the Union and to prevent fraud and other irregularities.

FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks relating to its interest bearing assets and liabilities. The financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk due to the income from the Six Nations Tournament being denominated in Euros. This risk is mitigated through the use of forward contracts which fix the exchange rate up to a year in advance. Typically these forward contracts are settled by the year-end.

Interest rate risk

The Group has interest bearing liabilities on which interest is payable at a variable rate. The relevant rate is based on a percentage above the LIBOR.

Credit risk

The Group has no significant concentration of credit risk. It also has implemented policies that ensure that appropriate credit checks are carried out before sales to new customers commence. Interest bearing assets are only invested with financial institutions that have a minimum A credit rating.

Liquidity risk

The Group invests surplus cash in interest bearing assets for various terms. No more than 80% of available cash is generally invested in fixed term assets at any one time. Investments are not made for periods exceeding three months.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The Company has put in place qualifying third party indemnity provisions for all of the directors of the Rugby Football Union.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when these financial statements are approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Group's Auditor is unaware.
- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Group's Auditor in connection with preparing their report and to establish that the Group's Auditor is aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RUGBY FOOTBALL UNION

OPINION

We have audited the financial statements of the Rugby Football Union (the 'Parent Entity') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the Group and Parent profit and loss accounts, the Group and Parent statement of comprehensive income, the Group and Parent balance sheets, Group and Parent statements of changes in equity, and the Group cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group and Parent Entity's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Entity affairs as at 30 June 2019 and of the Group's and Parent Entity's profit for the year then ended;
- the Group and Parent Entity's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Entity'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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition, depreciation and impairment of tangible fixed assets – East Stand Development

Key audit matter

The accounting policy for the recognition of fixed assets is set out in note 2 (i) on page 55.

The Directors exercise judgement in applying this policy, as set out in note 3 - Judgements in applying accounting policies and key sources of estimation uncertainty: a) East Stand Development, relating principally to the determination of the capitalisation of costs directly attributable to bringing the assets into use, the date at which these assets are brought into use – and therefore the date from which depreciation is charged, the determination of useful lives and residual values – and therefore the rate and level of depreciation applied, an assessment of potential indicators of impairment of the overall carrying value of the project, and the impairment of legacy East Stand assets. As a result of the aggregate of these judgements, along with the materiality of East Stand additions that were incurred and brought into use in the current year, we considered this to be a key audit matter.

How we addressed the matter in our audit

Our audit procedures over the recognition of fixed assets included, but were not limited to:

- confirming a sample of costs to invoices and payments and, where possible, performing physical verification;
- considering the basis for capitalisation and confirming, on a sample basis, that capitalised assets meet the definition of a tangible fixed asset and meet the relevant capitalisation criteria;
- confirming that useful economic lives of classes and sub-classes of assets are reasonable in light of our knowledge of the assets and their intended use, and external professional advice taken from independent construction and property consultants;
- understanding the process and rationale for reassessment of the useful economic lives of legacy East Stand assets, and confirming the accuracy of posting of relevant adjustments to books and records;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RUGBY FOOTBALL UNION

(CONTINUED)

- recalculating depreciation charges for the year based on expected useful economic lives, residual values and dates that the assets were brought into use;
- review of invoices received either side of the year end to assess capitalisation in the right financial periods;
- consideration, with reference to our understanding of the Group and the sports and leisure market, of external and internal factors included in management's assessment of the existence, or otherwise, of indicators of impairment of East Stand tangible fixed assets.

Key observations

As a result of our procedures, we did not identify any material misstatements to report in relation to tangible fixed assets.

Recognition and valuation of deferred tax assets

Key audit matter

The accounting policy for the recognition of deferred tax assets is set out in note 2 (g) on page 54.

In applying this accounting policy, the directors are required to recognise deferred tax assets on the balance sheet only to the extent that it is considered probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The directors exercise judgement in applying this policy, as set out in note 3 - Judgements in applying accounting policies and key sources of estimation uncertainty: b) Deferred taxation asset, on page 59, relating principally to the determination of the period over which to project recovery of the assets and to the financial performance assumptions underlying the projected recovery. We therefore consider the recognition and valuation of deferred tax assets to be a key audit matter.

Based on projections extending to 15 years, the Rugby Football Union has recognised deferred tax assets of £7.0m

on the Group balance sheet (Parent entity: £6.2m) at the year end, and has unrecognised deferred tax assets of £6.5m (Parent entity: £6.5m).

How we addressed the matter in our audit

Our audit procedures over the recognition and valuation of deferred tax assets included, but were not limited to:

- considering the assumptions underlying the level of probability applied to future performance that would enable the reversal of potential deferred tax assets in light of our understanding of the level and predictability of revenue and cost streams and capital expenditure, including reasonable sensitivities thereon;
- an assessment of the tax legislation applied to the utilisation of available deferred tax assets, including the availability and use of capital allowances, excess charitable donations and carried forward losses;
- assessing the consistency of the projections with longer term strategic plans, including the intention to retain profits (build reserves) against which deferred tax assets can be utilised.

Key observations

Based on our audit procedures, we noted no significant issues regarding the deferred tax asset recognised as at 30 June 2019.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the financial statements and our audit.

Materiality is used so we can plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. The level of materiality we set is based on our assessment of the magnitude of misstatements that individually or in aggregate, could reasonably be expected to have influence on the economic decisions the users of the financial statements may take based on the information included in the financial statements.

We determined materiality for the Group financial statements as a whole to be £3.3m and for the Parent £2.9m, which represents approximately 3 per cent of profit before rugby investment after interest, being one of the key performance indicators of the Rugby Football Union.

Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our overall risk and control environment assessment, our judgement was that performance materiality is set at 75 per cent of our planning materiality, which is £2.4m for the Group and £2.2m for the Parent. We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of £0.1m (c3 per cent of financial statement materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at component level. In the current period, the range of performance materiality allocated to components was £0.1m to £0.7m.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Parent and all significant components are located in the UK. All audit work on significant components was performed by the Group audit team based in the UK.

We completed a full scope audit for the Group and Parent entity, including a full scope audit of all significant components. Non-significant components have been subject to desk-top analytical review procedures only.

Our audit involved 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. The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under “Key audit matters” within this report.

At the Parent level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent; or
- a satisfactory system of control over its transactions has not been maintained; or
- the Parent Entity’s financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement of Board of Directors’ responsibilities set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

This report is made solely to the Parent Entity’s members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969. Our audit work has been undertaken so that we might state to the Parent Entity’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Entity and the Parent Entity’s members as a body for our audit work, for this report, or for the opinions we have formed.

BDO LLP

IAN CLAYDEN

(Senior Statutory Auditor)

For and on behalf of
BDO LLP,
Statutory Auditor,
London

Date: 14 November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FINANCIAL STATEMENTS

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR TO 30 JUNE 2019

	Notes	Group 2019 £m	Group 2018 £m
Revenue	4	213.2	172.4
Cost of sales		(35.5)	(29.8)
Gross profit		177.7	142.6
Overhead expenses		(62.3)	(59.3)
Profit before rugby investment		115.4	83.3
Rugby investment			
Professional rugby investment		(65.6)	(70.7)
Rugby development investment		(34.9)	(37.0)
Total rugby investment		(100.5)	(107.7)
Operating profit/(loss)	5	14.9	(24.4)
Interest receivable and similar income	9	0.1	-
Interest payable and similar charges	10	(3.1)	(2.2)
(Loss) on fair value and impairment of fixed asset investments	15	-	(1.2)
Profit/(loss) on ordinary activities before taxation		11.9	(27.8)
Tax charge on ordinary activities	11	(1.9)	-
Profit/(loss) on ordinary activities after taxation		10.0	(27.8)
Profit attributable to non-controlling interests		(6.1)	(3.1)
Profit/(loss) to reserves		3.9	(30.9)

All profit and loss items relate to continuing operations.

FINANCIAL STATEMENTS
PARENT PROFIT AND LOSS ACCOUNT
 FOR THE YEAR TO 30 JUNE 2019

	Notes	Parent 2019 £m	Parent 2018 £m
Revenue	4	164.3	132.2
Cost of sales		(14.4)	(11.6)
<hr/>			
Gross profit		149.9	120.6
Overhead expenses		(48.6)	(45.8)
<hr/>			
Profit before rugby investment		101.3	74.8
<hr/>			
Rugby investment			
Professional rugby investment		(65.6)	(70.7)
Rugby development investment		(32.3)	(34.1)
<hr/>			
Total rugby investment		(97.9)	(104.8)
<hr/>			
Operating profit/(loss)	5	3.4	(30.0)
Interest receivable and similar income	9	0.2	-
Interest payable and similar charges	10	(1.5)	(0.8)
(Loss) on fair value and impairment of fixed asset investments	15	-	(1.5)
<hr/>			
Profit/(loss) on ordinary activities before taxation		2.1	(32.3)
Tax credit on ordinary activities	11	2.3	2.3
<hr/>			
Profit/(loss) on ordinary activities after taxation		4.4	(30.0)

All profit and loss items relate to continuing operations.

FINANCIAL STATEMENTS

GROUP AND PARENT STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR TO 30 JUNE 2019

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Profit/(loss) on ordinary activities after taxation	10.0	(27.8)	4.4	(30.0)
Actuarial (loss)/gain on defined benefit pension scheme	(2.3)	5.5	(2.3)	5.5
Movement on deferred tax relating to actuarial gain/(loss)	0.4	(0.9)	0.4	(0.9)
Other comprehensive income for the year	(1.9)	4.6	(1.9)	4.6
Total comprehensive income for the year	8.1	(23.2)	2.5	(25.4)
Total comprehensive income attributable to:				
Non-controlling interests	6.1	3.1	-	-
Owners of the Parent	2.0	(26.3)	2.5	(25.4)
	8.1	(23.2)	2.5	(25.4)

All profit and loss items relate to continuing operations.

	Notes	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Fixed assets					
Intangible fixed assets	12	3.7	4.2	3.6	4.1
Tangible fixed assets	13	305.5	275.3	280.6	258.4
Loans to clubs	14	7.9	7.8	-	-
Investments	15	7.9	7.8	131.4	129.6
Investment property	16	6.5	6.5	6.5	6.5
		331.5	301.6	422.1	398.6
Current assets					
Stock	17	0.6	0.4	-	-
Debtors and prepayments due within one year	18	25.0	30.9	62.6	70.5
Debtors and prepayments due after one year	18	0.2	0.2	0.2	0.2
Cash at bank and in hand	19	28.6	24.3	14.6	11.0
Deferred tax	11	7.0	7.0	6.2	6.4
Pension asset	26	0.5	2.5	0.5	2.5
		61.9	65.3	84.1	90.6
Creditors					
Amounts falling due within one year	20	(56.1)	(46.7)	(70.1)	(72.5)
Net current assets					
		5.8	18.6	14.0	18.1
Amounts falling due after one year	20	(140.9)	(125.8)	(140.4)	(123.6)
		196.4	194.4	295.7	293.1
Debtures					
	22	219.4	219.2	219.4	219.2
Capital and reserves					
Called up share capital	23	-	-	-	-
Debtore reserve	25	38.1	38.1	38.1	38.1
Other reserve	25	(91.1)	(89.5)	-	-
Profit and loss reserve	25	28.6	25.1	38.2	35.8
Total equity funds					
Non-controlling interests		1.4	1.5	-	-
		196.4	194.4	295.7	293.1

The financial statements were approved by the Board of Directors on 13 November 2019, and signed on its behalf by:



Bill Sweeney
Chief Executive Officer



Sue Day
Chief Financial &
Operating Officer



Peter Wheeler
President



Andy Cosslett
Chairman of the Board
of Directors

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 JUNE 2019

	Called up share capital £m	Other reserve £m	Debenture reserve £m	Profit and loss reserve £m	Total equity funds £m	Non- controlling interests £m	Total equity funds and non- controlling interests £m
At 1 July 2017	-	(56.3)	38.1	18.5	0.3	1.9	2.2
Profit/(loss) to reserves	-	-	-	(30.9)	(30.9)	3.1	(27.8)
Other comprehensive income	-	-	-	4.6	4.6	-	4.6
Total comprehensive income for the year	-	-	-	(26.3)	(26.3)	3.1	(23.2)
Foreign exchange loss on fair value of hedges	-	-	-	(0.1)	(0.1)	-	(0.1)
Gain on transaction with non-controlling interests	-	-	-	31.6	31.6	-	31.6
Liability to non-controlling interests	-	(31.8)	-	-	(31.8)	-	(31.8)
Transfer between reserves	-	(1.4)	-	1.4	-	-	-
Dividends paid	-	-	-	-	-	(3.5)	(3.5)
At 30 June 2018	-	(89.5)	38.1	25.1	(26.3)	1.5	(24.8)
Profit/(loss) to reserves	-	-	-	3.9	3.9	6.1	10.0
Other comprehensive income	-	-	-	(1.9)	(1.9)	-	(1.9)
Total comprehensive income for the year	-	-	-	2.0	2.0	6.1	8.1
Foreign exchange loss on fair value of hedges	-	-	-	(0.1)	(0.1)	-	(0.1)
Transfer between reserves	-	(1.6)	-	1.6	-	-	-
Dividends paid	-	-	-	-	-	(6.2)	(6.2)
At 30 June 2019	-	(91.1)	38.1	28.6	(24.4)	1.4	(23.0)

PARENT STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 JUNE 2019

	Called up share capital £m	Debenture reserve £m	Profit and loss reserve £m	Total equity funds £m
At 1 July 2017	-	38.1	29.7	67.8
Profit/(loss) to reserves	-	-	(30.0)	(30.0)
Other comprehensive income	-	-	4.6	4.6
Total comprehensive income for the year	-	-	(25.4)	(25.4)
Foreign exchange loss on fair value of hedges	-	-	(0.1)	(0.1)
Transaction with subsidiary in capacity as shareholder	-	-	31.6	31.6
At 30 June 2018	-	38.1	35.8	73.9
Profit for the year	-	-	4.4	4.4
Other comprehensive income	-	-	(1.9)	(1.9)
Total comprehensive income for the year	-	-	2.5	2.5
Foreign exchange loss on fair value of hedges	-	-	(0.1)	(0.1)
At 30 June 2019	-	38.1	38.2	76.3

FINANCIAL STATEMENTS

GROUP CASH FLOW STATEMENT
FOR THE YEAR TO 30 JUNE 2019

	2019 £m	2018 £m
Cash flows from operating activities		
Profit/(loss) on ordinary activities after taxation	10.0	(27.8)
Adjustments for:		
Amortisation of intangible assets	0.9	0.6
Depreciation of tangible assets	19.6	16.1
Loss on disposal of tangible fixed assets	0.1	0.1
Impairment of tangible fixed assets	0.3	0.2
Corporation tax charge	1.9	0.9
Interest charge	3.1	1.9
Loss/(gain) on fair value of fixed asset investments	-	1.5
Corporation tax paid	(1.2)	(1.1)
(Increase)/decrease in stock	(0.2)	0.5
Decrease in debtors	5.9	18.1
Increase in creditors	6.6	5.4
Loss on disposal of investment property	-	0.2
Net cash flows from operating activities	47.0	16.6
Cash flows from investing activities		
Purchase of intangible fixed assets	(0.4)	(0.9)
Purchase of tangible fixed assets	(50.0)	(56.7)
Proceeds on disposal of investment property	-	1.2
Loans advanced to clubs	(1.4)	(1.3)
Loans repaid by clubs	1.3	1.2
Income from investments	-	(0.3)
Purchase and subsequent resale of subsidiary shares	-	31.6
Costs of subsidiary share transaction	-	(0.2)
Net cash flows from investing activities	(50.5)	(25.4)
Cash flows from financing activities		
Draw down of bank loans (net of fees)	15.2	9.6
Debentures issued	0.2	6.2
Decrease in finance leases	-	(0.3)
Interest paid	(1.4)	(0.4)
Dividends paid to non-controlling interests	(6.2)	(3.5)
Repayment of Compass loan	-	(3.0)
Net cash flows from financing activities	7.8	8.6
Net change in cash and cash equivalents	4.3	(0.2)
Cash and cash equivalents at beginning of year	24.3	24.5
Net change in cash and cash equivalents	4.3	(0.2)
Cash and cash equivalents at end of year	28.6	24.3



NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Rugby Football Union is a registered society in England. The Registered Office is Rugby House, Twickenham Stadium, 200 Whitton Road, Twickenham, Middlesex, TW2 7BA.

2. Accounting policies

(a) Statement of compliance and basis of preparation

The financial statements have been prepared under the historical cost basis, modified to include certain items at fair value, and in accordance with the Financial Reporting Standard 102 (FRS102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Co-operative and Community Benefit Societies Act 2014.

The Group and Company have determined that they meet the definition to be classified as a public benefit entity under FRS 102 Section 34 and apply the provisions of this section as disclosed below.

The financial statements are prepared in sterling, which is the functional currency of the Group, and round to the nearest £0.1m.

(b) Disclosure exemptions

The Parent has taken advantage of the following disclosure exemptions available under FRS 102:

- The requirements of section 7 “Statements of Cash Flows” and section 3 “Financial Statement Presentation” paragraph 3.17 (d).
- The requirements of section 11 paragraphs 11.39 to 11.48A and section 12 paragraphs 12.26 to 12.29.
- The requirement of section 33 “Related Party Disclosures” paragraph 33.7.

In preparation of the financial statements, the following accounting principles and policies have been applied:

(c) Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities set out in the Strategic Report on pages 6 to 26 including the Group’s principal risks and uncertainties, together with the Group’s short, medium and long-term cash flow forecasts.

Over a four year international rugby cycle the RFU seeks to broadly match its annual investments into rugby to its net operating incomes after debt service and retention of reserves for longer term investment into rugby infrastructure. Alongside this, the RFU seeks to broadly fund long term capital investment for the future of rugby from long term debt, debentures or equity. The Group continues to have strong visibility of its broadcasting, match-day and sponsorship income streams, as well as its principal financial investment commitments and capital funding options. Subject to inherent uncertainties in cash flow forecasts, this business model, and the level of financial flexibility that it affords if necessary, provides an adequate level of assurance over going concern.

The Group is also subject to rugby investment and bank facility covenants and interest and capital repayment terms. Based on the Group’s cash flow projections which incorporate reasonable sensitivities and contingencies, for a period of not less than 12 months from the date of approval of these financial statements, the board is satisfied that the Group will be able to operate within the level of, and in compliance with the terms of, its bank facilities for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

(d) Basis of consolidation

The Group’s financial statements consolidate the results of the Company and its subsidiary undertakings up to 30 June each year. Intercompany transactions and balances between Group companies are therefore eliminated in full. The results of subsidiary undertakings are consolidated from the date control is obtained to the date control ceases.

The Group’s interests in subsidiary undertakings are fully consolidated on a line by line basis, with non-controlling interests’ share of earnings and retained earnings shown separately.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 July 2014.

The Rugby Football Foundation and RFU Injured Players Foundation charities are consolidated into the Group accounts on the basis that the RFU has control over these entities through a controlling representation on their Boards of Trustees.

The RFU also has a 25% shareholding in British & Irish Lions Designated Activity Company. Due to the Group’s

inability to exercise significant influence over this investee company, management do not believe that it is appropriate to equity account this investment. The Group's share of net surpluses and net assets after settlement of contractual obligations of British & Irish Lions Designated Activity Company are not material to the Group.

(e) Revenue

Revenue represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services rendered to the extent that it is probable that the economic benefits will be received. Revenue recognition policies for specific revenue streams are as follows:

- Ticket revenue and the sale of hospitality packages are recognised when the relevant event is staged.
- Revenue determined by commercial contracts, which makes up the majority of broadcasting revenue, sponsorship revenue and the leasing of hospitality boxes, is recognised in accordance with the terms and period of the contract.
- Grant income is recognised when the respective grant conditions have been satisfied and over the period to which the grant relates.
- Subscription income is recognised at the point the transaction occurs.
- Travel revenue is recognised on the commencement of the related tour, being the date of travel.
- Hotel revenue is recognised at the point at which rooms are occupied and food and beverage is sold.
- Health club membership revenue is recognised on a straight-line basis over the membership term with joining fees recognised at the date of granting the membership.
- Fees from the staging of concerts and after match events at Twickenham Stadium are recognised when the relevant event is staged.

- Revenue from barter transactions are recognised at the gross fair value based on the goods and services provided. The offsetting cost of the goods or services is recognised in cost of goods sold.
- Catering income is recognised as at the date of delivery.

(f) Leases

At the inception of a lease the RFU, as lessee, determines whether it is a finance or an operating lease. The criteria for recognition as a finance lease is that substantially all of the risk and rewards of ownership are transferred to the RFU; if this criteria is not met, the lease is classified as an operating lease.

A finance lease is recognised at the inception of the lease at fair value and is depreciated on a straight-line basis over the shorter of the useful economic life and the lease term. Lease payments are split between a finance charge and a reduction of the capital outstanding so that the interest charge for each accounting period is a constant percentage of the capital sum outstanding.

Operating leases are charged on a straight-line basis over the term of the lease to the Profit and Loss Account. Any benefit received in the form of a lease incentive is recognised as a reduction to the expense over the lease term on a straight line basis.

(g) Taxation and deferred taxation

Tax is recognised in the Profit and Loss Account, except where an item of income or expense has been recognised in other comprehensive income or directly in equity. In such a situation the tax charge or credit is also recognised in other comprehensive income or directly in equity.

The income tax credit for the year is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but have not been reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences. Such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them, and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws

2. Accounting policies continued

that have been enacted or substantively enacted by the Balance Sheet date.

(h) Intangible fixed assets and amortisation

Intangible assets relate to computer software, which are initially recognised at cost. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight line basis over the estimated useful life as follows:

Computer software 3-10 years

Assets under construction are not amortised until they are brought into use.

At the end of each reporting period the intangible assets are assessed for indication of impairment. If there is an indicator, an impairment test is performed comparing the carrying value with the higher of the recoverable amount or value in use with any excess in the carrying amount being charged to the Profit and Loss Account.

(i) Tangible fixed assets and depreciation

Tangible assets are stated at historic cost less accumulated depreciation and any provision for impairment. Such costs include costs directly attributable to bringing the asset into use. Borrowing costs directly attributable to major stadium work are capitalised as part of the asset.

Depreciation commences when the asset is first brought into use and is provided to write off the cost of the assets less any expected residual value on a systematic basis over their estimated useful lives on a straight-line basis as follows:

Buildings	10-75 years
Long-term leasehold property	over the lease of the property
Fixtures, fittings and equipment	3-40 years

Land is not depreciated. Assets under construction are not depreciated until they are brought into use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and, where material, are recognised within 'other operating income' in the Profit and Loss Account.

At the end of each reporting period, management consider if impairment indicators exist for all tangible assets. In the instance that impairment indicators are identified, management will compare the carrying value to the higher of recoverable value and value in use. If the carrying amount exceeds these amounts it is reduced and the impairment loss is recognised in the Profit and Loss Account.

Artificial grass pitches (AGPs)

The Rugby Football Development Limited (RFDL) entity, a fully consolidated subsidiary, has developed a national facilities strategy to deliver AGPs to the grassroots of the game.

Under the AGP project, the RFU leases sites from selected clubs for 30 years. RFDL builds and subsequently manages pitches on these sites.

The pitches consist of two layers: the base layer which has an estimated useful economic life of 30 years, and the top layer, which has a useful economic life of 10 to 12 years. The layers of the pitches are capitalised as separate assets and depreciated using the straight line method over their respective economic lives.

Depreciation is charged from the date that the asset is available for use. This is deemed to be when a practical completion handover document from the supplier has been signed by RFDL. At this point the asset ceases to be an "asset in the course of construction" and is transferred to the asset class "land and buildings".

Review of tangible and intangible fixed asset economic lives

The useful economic lives of both the Game Management System and laptops have been extended from five to ten years and three to five years respectively with a combined annual benefit of £0.1m. As the new East Stand is appended to the existing East Stand and these items cannot exist in isolation, it was considered appropriate to extend the UEL of the existing East Stand structure to align with the 50 year life of the new structure. In effect the existing part of the East Stand will have a UEL of 75 years. This will reduce annual depreciation by £0.1m.

Heritage assets held by the RFU comprise primarily trophies and paintings displayed in the museum.

2. Accounting policies continued

They are recognised in the statement of financial position at historic cost, to the extent that this information is available. There is no depreciation charge against heritage assets because it is estimated that the assets have an extended and indeterminate useful life such that any depreciation charge would be negligible. The carrying values of Heritage assets are reviewed when there is evidence of impairment, for example, when an asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity.

(j) Loans to clubs

Loans to clubs are accounted for as concessionary items in accordance with section 34 of the public benefit entity guidance contained within FRS 102.

All loans to clubs have their own individual terms and conditions and are advanced to member clubs by the Rugby Football Foundation, and by the RFU under the RFU club improvement scheme.

The loan is initially recognised at the amount paid to the club, and is subsequently adjusted for any accrued interest payable. In the instance that the loan in part or full has become irrecoverable an impairment loss is recognised in the Profit and Loss Account.

(k) Investment property

Investment property is initially measured at cost, which comprises the purchase price less any directly attributable costs. Subsequently the properties are measured at fair value at each reporting date, determined annually by the directors or external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Profit and Loss Account.

(l) Investments in subsidiary and associate undertakings

Investments in subsidiary and associate undertakings are held as fixed assets and stated at cost, less provision for impairment, in the stand-alone financial statements of the Parent.

(m) Other investments

The investments are held for charitable purposes and are initially recognised at fair value. Subsequently the investments are measured at fair value through the Profit and Loss Account.

(n) Unlisted investments

Unlisted investments are accounted for at fair value through Profit and Loss.

(o) Stock

Stock is held for resale and is initially valued at the lower of cost (first in, first out basis) and net realisable value (price less selling costs). At each

reporting date the stock is impaired if its carrying value exceeds its net realisable value with the loss being recognised in the Profit and Loss Account.

(p) Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Short-term debtors are recognised at the transaction price, less any provision for impairment.

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are initially recorded at fair value, net of transaction costs, and are subsequently recognised at amortised cost using the effective interest method.

(q) Cash and cash equivalents

Cash represents cash in hand and deposits with banks and other financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents include short-term deposits with banks and other financial institutions with a maturity date of three months or less from the date of acquisition.

The Group Cash Flow Statement shows the cash and cash equivalents net of bank overdrafts that are repayable on demand and form an integral part of the cash flow management.

(r) Pension and other post-retirement benefits

The Rugby Football Union operates a defined contribution pension scheme and a defined benefit pension scheme.

(i) Defined contribution pension plan

The defined contribution plan has contributions based on a percentage of salary made to an independently administered plan, the contributions being recognised as an expense when they fall due. There is no legal or constructive obligation to make any further payments to the plans other than contributions due.

(ii) Defined benefit scheme

The defined benefit plan determines the pension benefit that the employee will receive on retirement, dependent upon several factors including age, length of service and remuneration.

The defined benefit surplus or deficit recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets less the present value of the defined benefit obligation at year end.

Annually, the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds and that have terms approximating the estimated period of

the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

The full service cost of pension provision for the period, together with the cost of any benefits relating to past service, is charged to the Profit and Loss Account. The expected increase in the present value of scheme liabilities and the long term expected return on assets based on the market value of the scheme assets at the start of the period, are included as a net interest cost in the Profit and Loss Account under interest payable.

Actuarial gains and losses arising from adjustments due to historical performance and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on assets based on the market value of the scheme assets at the start of the period, are included as a net interest cost in the Profit and Loss Account under interest payable.

Actuarial gains and losses arising from adjustments due to historical performance and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as an actuarial gain or loss on remeasurement of the aligned pension scheme.

The net interest cost is calculated by applying discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

(s) Foreign currency translation of transactions and balances

Foreign currency transactions are translated into the Group entity's 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 Profit and Loss Account. Foreign exchange gains and losses which relate to borrowings, cash and cash equivalents are presented in Profit and Loss Account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income or expense'.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the Balance Sheet date.

Exchange gains and losses, arising on unsettled foreign currency transactions, are recognised to equity. Once settled, they are included in the Profit and Loss Account.

(t) Derivative financial instruments and hedging activities

The Group uses forward exchange contracts to hedge against the foreign currency exchange movements that present a cash flow risk on its future Euro denominated receivables from the Six Nations tournament. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve and then released on maturity of the contract. Any ineffective portions of those movements are recognised in profit or loss for the period.

(u) Debentures

The Group has determined the entity and the debentures meet the criteria set out in Section 34 FRS 102 to be classified as public benefit entity concessionary loans. Initially these are recorded on the Balance Sheet at the value received. Subsequently, these values are adjusted for any interest receivable or payable on the balance. It is not anticipated that there will be any change in value.

2. Accounting policies continued**(v) Employee termination benefits**

The Group recognises termination benefit liabilities only when it is demonstrably committed or has a constructive obligation to either terminating the employment of an employee or group of employees before their normal retirement date, or to providing termination benefits as a result of a general or specific offer made in order to encourage voluntary redundancy.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date, and the amounts reported for revenues and expenses during the year. Actual outcomes could differ from the estimates made but management seeks to mitigate this risk by using all available information and experience to make judgements as accurate as possible.

a) Critical judgements**Twickenham Experience Ltd (TEL)**

TEL is a joint venture between the RFU (owning 60%) and the Compass Group (owning 40%), established to provide catering and hospitality services at Twickenham Stadium. The RFU has granted TEL exclusive hospitality rights at the stadium for a period of 40 years from May 2000.

>RFU/Compass agreement – 2018

During the prior year, the RFU and Compass Group entered into new Shareholders' and Share Transfer Agreements, terminating the previous funding arrangements. Under the new agreements, Compass Group's contribution to the development of the East Stand is in the form of an increase in the value of its investment in TEL rather than a loan to the RFU.

This was effected by Compass Group selling its 40% share in TEL to the RFU for £46.5m and immediately repurchasing it for £78.5m. The previous loan of £3m from Compass to the RFU was also settled as part of this transaction.

The transaction generated a gain in 2017/18 after associated costs of £31.6m which, in accordance with FRS 102, was recorded in the Profit and Loss Reserve. Compass was granted the irrevocable right to exercise a put option, at a stated price, on the occurrence of an

option event as set out in the contract (for example, the cessation of rugby matches at Twickenham).

If no option event occurs before 30 June 2028, the contract requires the RFU to repurchase Compass Group's 40% share of TEL for £95.5m. The likelihood of an option event occurring before 30 June 2028 is considered to be highly unlikely and as such, the RFU has accounted for the obligation to repurchase Compass Group's shares by recording a liability, as outlined above.

Professional Game Agreement

The Professional Game Agreement runs for eight years from the 2016/17 season through to the 2023/24 season. Under the agreement, the RFU will invest up to £112m across the first four years of the agreement, provided that agreed conditions aimed at strengthening domestic rugby and England men's international teams are met. The level of investment for the remainder of the agreement will, in part, be linked to the financial performance of the RFU under a rugby revenue share approach, with the total payments over the eight years expected to be in excess of £200m.

Payments specific to each contractual year of the agreement are recognised in the period to which they relate, once the agreed conditions have been met.

East Stand Development

The East Stand Development was brought into use for the 2018 November Old Mutual Wealth Internationals. At this point the assets were transferred from assets under construction to land and buildings or fixtures and fittings. The assets will be depreciated over the appropriate timescale given the nature of assets.

Although the development exceeded the original budget, management still consider it appropriate to capitalise the development at cost as its value continues to be supported by significant future cash inflows, largely in the form of hospitality and ticket revenues.

Artificial Grass Pitches (AGPs)

RFDL has committed to deliver AGPs to the grassroots game and these are considered to be a capital investment. Each pitch is owned and managed by RFDL with the RFU Group leasing a site for 30 years from the selected clubs at which the pitches are built.

The pitches are capitalised and treated as tangible fixed assets, with their component parts depreciated from the date they are available for use. During the year as AGPs were completed, they were transferred from assets under construction to property, plant and equipment.

No provision is recognised for the RFDL's requirement to ensure that each AGP is in such a condition that it has five years playing usage remaining at the end of the lease. It is anticipated that technological advancements in this area mean that no additional costs will be incurred to bring it to that condition.

The pitches are considered to be largely for the provision of social benefits by a public benefit entity and are therefore accounted for as items of property, plant and equipment as required by FRS 102.

Valuation of investment properties

The RFU carries its investment properties at fair value, with changes in fair value being recognised in the Profit and Loss Account.

An independent valuation was commissioned for year end which determined that the fair value was consistent with the prior year valuation.

b) Areas of estimation uncertainty**Pension assumptions**

The most significant assumptions affecting the valuation of the pension scheme liabilities at year end are those relating to the discount rate of return on investments and the future rates of increases in salaries and pensions.

Management make these assumptions using advice from the firm of actuaries who perform the pension calculations and by taking into account all relevant past, present and future information at their disposal.

The FRS 102 valuation of the defined benefit pension scheme as at 30 June 2019 was conducted by an actuary, using as a basis the most recent actuarial valuation conducted at 30 April 2017, updating the assumptions based on discussions with management.

In the current year the pension continues to be in surplus. Management having obtained specialist advice on the treatment of the asset, determined that an asset should be recognised as the RFU is entitled to any surplus from the fund once all the liabilities are settled.

Deferred taxation asset

There are three principal drivers of the temporary differences that are available for offset against future profits of the Group and which give rise to deferred tax assets. These are capital allowances on Twickenham Stadium and AGP investments, excess charitable donations and tax losses carried forward.

Management has made various assumptions in assessing the extent to which deferred tax assets will be recovered against the reversal of deferred tax liabilities or future taxable profits.

Although uncertainties exist around the current economic climate and market conditions, the RFU's ability to forecast its financial performance means that it is able to ascertain the probable unwinding of £7.0m of its deferred tax assets over the next 15 years. Accordingly a deferred tax asset of £7.0m has been recognised.

4. Revenue

Revenue is attributable to the activities as a governing body of rugby in England.

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Ticket	47.6	29.9	47.6	29.9
Broadcasting	49.7	41.2	49.7	41.2
Sponsorship	32.8	29.3	32.8	29.3
Hospitality and Catering	54.5	41.2	8.3	8.4
Merchandising and Licensing	2.5	4.5	2.7	4.2
Hotel	6.0	6.2	-	-
Health and Leisure	3.8	3.7	-	-
Dividend	-	-	9.2	5.2
Recharges	-	-	4.3	4.1
Event hire fee	3.0	3.8	2.8	3.7
Funding	7.1	6.5	3.3	2.9
Other	6.2	6.1	3.6	3.3
	213.2	172.4	164.3	132.2

5. Operating profit/(loss)

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Operating profit/(loss) is stated after charging:				
Board and Council - RFU administration costs	0.6	0.5	0.6	0.5
- match related expenses	0.8	0.8	0.8	0.8
Depreciation of tangible fixed assets	19.6	16.1	16.9	14.7
Amortisation of intangible fixed assets	0.9	0.6	0.9	0.5
Loss on disposal of tangible fixed assets	0.1	0.3	0.1	-
Loss on impairment of tangible fixed assets	0.3	0.2	0.3	-
Loss on disposal of investment properties	-	0.2	-	0.2
Operating lease rentals	0.7	0.8	0.3	0.3
Auditors' remuneration - audit services	0.1	0.1	0.1	0.1

6. Board Directors' remuneration

	2019 £m	2018 £m
Emoluments and benefits in kind	1.8	1.3
	1.8	1.3

The highest paid Director received remuneration of £0.6m (2018: £0.4m) during the year. The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2018: £nil). There are two Directors (2018: two) to whom retirement benefits are accruing under the defined contribution pension scheme.

Directors' bonuses were awarded for the year ended 30 June 2019.

The Remuneration Committee report provides greater detail on Directors' pay and can be found on pages 36 and 37. The above figures are shown on an accruals basis.

7. Staff costs

	2019 £m	2018 £m
Direct employee cost		
Wages and salaries	27.3	29.2
Social security costs	3.1	3.3
Defined benefit pension costs	0.3	0.3
Defined contribution pension costs	2.5	1.9
Restructuring provision	-	1.3
	33.2	36.0
Other staff costs		
Temporary staff	2.9	3.3
Individuals employed by third parties	2.9	2.9
Total staff costs	39.0	42.2

The above figures include bonus payments on an accruals basis.

8. Staff numbers

Average monthly number of direct employees (full-time equivalent)	2019	2018
Stadium, Commercial and Administration	191	211
Professional Rugby	131	114
Rugby Development	223	255
	545	580

Staff numbers above include Non-Executive Directors and contracted players.

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
9. Interest receivable and similar income				
Interest receivable and similar income	0.1	-	0.2	-
	0.1	-	0.2	-

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
10. Interest payable and similar charges				
Bank interest	2.0	0.9	2.0	0.9
Other interest charge	1.6	1.4	-	-
Loss on fair value of investment properties	-	0.3	-	0.3
Defined benefit pension interest expense	0.1	0.1	0.1	0.1
	3.7	2.7	2.1	1.3
Bank interest capitalised	(0.6)	(0.5)	(0.6)	(0.5)
	3.1	2.2	1.5	0.8

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
11. Taxation				
(a) Corporation tax				
UK corporation tax on profit for the period	1.5	0.9	(2.9)	(1.4)
Total corporation tax	1.5	0.9	(2.9)	(1.4)
(b) Deferred tax				
Origination and reversal of timing differences	0.6	(1.0)	0.8	(1.0)
Adjustment in respect of previous years	(0.1)	-	(0.1)	-
Effect of changes in tax rate	(0.1)	0.1	(0.1)	0.1
Total deferred tax	0.4	(0.9)	0.6	(0.9)
Taxation on ordinary activities	1.9	-	(2.3)	(2.3)
(c) Tax included in group statement of total comprehensive income				
Deferred tax current year (credit)/charge	(0.4)	0.9	(0.4)	0.9
Total	(0.4)	0.9	(0.4)	0.9

(d) Factors affecting tax charge	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Profit/(loss) on ordinary activities before taxation	11.9	(27.8)	2.1	(32.3)
Tax on profit/(loss) at standard UK rate of 19% (2018: 19%)	2.3	(5.3)	0.4	(6.2)
Effects of:				
Expenses not deductible for tax purpose	2.3	2.8	0.1	1.5
Income not taxable	(5.0)	(3.1)	(5.0)	(3.1)
Capital gains charge	(0.2)	-	(0.2)	-
Tax rate changes	(0.1)	0.1	(0.1)	0.1
Deferred tax asset not recognised	2.6	5.5	2.5	5.4
Tax charge/(credit) for the year	1.9	-	(2.3)	(2.3)

(e) Factors that may affect future tax charges

Under the Finance Act 2015, the main rate of corporation tax reduced from 20% to 19% effective from 1 April 2017. The Act included a further reduction to 18%, with effect from 1 April 2020. The Finance Act 2016, which was substantively enacted on 6 September 2016, provided a further reduction to the main rate of corporation tax to 17% from 1 April 2020. As the further reduction to 17% was substantively enacted before the Balance Sheet date of 30 June 2018, the deferred tax balances at this date and at 30 June 2019 have been measured at 17%, the rate at which the deferred tax asset is expected to reverse.

(f) Deferred tax asset	2019 £m
Group	
At 1 July 2018	7.0
Adjustment from previous periods	0.1
Deferred tax charge to Profit and Loss account for the year	(0.5)
Deferred tax credit in Other Comprehensive Income for the year	0.4
At 30 June 2019	7.0
Parent	
At 1 July 2018	6.4
Adjustment from previous periods	0.1
Deferred tax charge to Profit and Loss account for the year	(0.7)
Deferred tax credit in Other Comprehensive Income for the year	0.4
At 30 June 2019	6.2

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
The deferred tax asset comprises:				
Fixed asset timing differences	7.3	4.4	6.5	3.7
Short term timing differences	6.2	7.0	6.2	7.0
Losses	-	0.5	-	0.5
Deferred tax not recognised	13.5 (6.5)	11.9 (4.9)	12.7 (6.5)	11.2 (4.8)
	7.0	7.0	6.2	6.4

12. Intangible fixed assets

Group	Software	Total
Cost	£m	£m
At 1 July 2018	6.8	6.8
Additions	0.4	0.4
Disposals	(0.1)	(0.1)
At 30 June 2019	7.1	7.1
Amortisation		
At 1 July 2018	(2.6)	(2.6)
Charge for the year	(0.9)	(0.9)
On disposals	0.1	0.1
At 30 June 2019	(3.4)	(3.4)
Net book value		
At 30 June 2019	3.7	3.7
At 30 June 2018	4.2	4.2
Parent		
Cost		
At 1 July 2018	6.0	6.0
Additions	0.4	0.4
At 30 June 2019	6.4	6.4
Amortisation		
At 1 July 2018	(1.9)	(1.9)
Charge for the year	(0.9)	(0.9)
At 30 June 2019	(2.8)	(2.8)
Net book value		
At 30 June 2019	3.6	3.6
At 30 June 2018	4.1	4.1

13. Tangible fixed assets

Group	Land and buildings	Long-term leasehold property	Fixtures, fittings and equipment	Assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
At 1 July 2018	212.2	0.4	148.6	57.1	418.3
Additions	0.4	-	6.4	43.4	50.2
Disposals	(3.8)	-	(3.7)	-	(7.5)
Impairment	(0.3)	-	-	-	(0.3)
Transfer between asset classes	34.1	-	62.7	(96.8)	-
At 30 June 2019	242.6	0.4	214.0	3.7	460.7
Depreciation					
At 1 July 2018	(83.0)	(0.2)	(59.8)	-	(143.0)
Charge for the year	(6.4)	-	(13.2)	-	(19.6)
On disposals	3.8	-	3.6	-	7.4
At 30 June 2019	(85.6)	(0.2)	(69.4)	-	(155.2)
Net book value					
At 30 June 2019	157.0	0.2	144.6	3.7	305.5
At 30 June 2018	129.2	0.2	88.8	57.1	275.3
Parent					
Cost					
At 1 July 2018	201.0	0.4	136.3	54.9	392.6
Additions	-	-	4.0	35.5	39.5
Disposals	(3.8)	-	(3.7)	-	(7.5)
Impairment	(0.3)	-	-	-	(0.3)
Transfer between asset classes	24.1	-	62.7	(86.8)	-
At 30 June 2019	221.0	0.4	199.3	3.6	424.3
Depreciation					
At 1 July 2018	(82.7)	(0.2)	(51.3)	-	(134.2)
Charge for the year	(5.2)	-	(11.7)	-	(16.9)
On disposals	3.8	-	3.6	-	7.4
At 30 June 2019	(84.1)	(0.2)	(59.4)	-	(143.7)
Net book value					
At 30 June 2019	136.9	0.2	139.9	3.6	280.6
At 30 June 2018	118.3	0.2	85.0	54.9	258.4

13. Tangible fixed assets continued

Assets in the course of construction as at 30 June 2019 include costs in respect of the ongoing stadium works and AGPs.

Land and buildings of the Group and Parent includes freehold land and works of art of £4.5m (2018: £4.5m).

The amount of interest capitalised during the year was £0.6m (2018: £0.5m). The total amount of interest capitalised to date is £13.7m (2018: £13.1m). The interest rate was 2.3% (2018: 2.4%).

14. Loans to clubs

Group	2019	2018
	£m	£m
At 1 July	7.8	7.7
Advances during the year	1.4	1.3
Repayments during the year	(1.3)	(1.2)
At 30 June	7.9	7.8

15. Investments

Group	Unlisted	Other	Total
	investments	fixed asset	
	£m	investments	£m
Cost or valuation		£m	
At 1 July 2018	-	7.8	7.8
Additions	-	0.2	0.2
Disposals	-	(0.1)	(0.1)
At 30 June 2019	-	7.9	7.9

Included in other fixed asset investments are investments held by RFU Injured Players Foundation of £7.8m (2018: £7.8m). The investment portfolio is in the following proportions: equities 94% and cash 6% (2018: equities 94% and cash 6%).

Unlisted investments comprise an 8.4% (2018: 8.4%) shareholding in Rugby International Marketing LLC. During the 2017/18 financial year significant uncertainty arose over RIM's future cash flows which triggered an impairment review. As a result of this review, the full value of the RFU's investment of £1.3m was impaired.

15. Investments continued

Parent	Subsidiary undertakings £m	Capitalised loans to Group undertakings £m	Other investments £m	Total £m
Cost or valuation				
At 1 July 2018	121.0	8.5	0.1	129.6
Additions	1.6	1.3	-	2.9
Disposals	-	(1.1)	-	(1.1)
At 30 June 2019	122.6	8.7	0.1	131.4

Details of the investments in which the Parent company hold 17% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	% holding of shares	Status	Year end	Principal activities
Rugby House, 200 Whitton Road, Twickenham, TW2 7BA					
1) Twickenham Experience Limited	Great Britain	60%	Subsidiary	30 June	Hospitality services
2) England Rugby Limited [^]	Great Britain	100%	Subsidiary	30 June	Elite rugby
3) England Rugby Travel Limited	Great Britain	51%	Subsidiary	30 June	Sports travel agency
4) Rugby Reflink Limited	Great Britain	60%	Subsidiary	30 June	Radio equipment
5) Rugby Football Foundation	Great Britain	n/a*	Quasi-subsubsidiary	30 June	Community rugby
6) Rugby Football Development Limited	Great Britain	100%	Subsidiary	30 June	Community rugby
7) RFU Hotel Limited	Great Britain	100%	Subsidiary	30 June	Hospitality services
8) RFU Health and Leisure Limited	Great Britain	100%	Subsidiary	30 June	Health club
9) RFU Injured Players Foundation	Great Britain	n/a*	Quasi-subsubsidiary	30 June	Player welfare
10) IPF Trading Limited [^]	Great Britain	100%	Subsidiary	30 June	Player welfare
11) RFF Trading Limited [^]	Great Britain	100%	Subsidiary	30 June	Community rugby
12) Great Britain Rugby Sevens Limited	Great Britain	33%	Joint Venture	30 June	Operation of Olympic Games Sevens rugby team
1st Floor, Simmonscourt House, Simmonscourt Road, Ballsbridge, Dublin 4, Ireland					
13) British & Irish Lions DAC	Rep of Ireland	25%**	Associate	30 September	Overseas rugby tours
14) Six Nations Rugby Limited	Rep of Ireland	17%***	Investment	31 August	Competition management
1st Floor, Rose House, 51-59 Circular Road, IM1 1RE, Isle of Man					
15) Rugby Sure Limited	Isle of Man	100%	Subsidiary	30 June	Insurance
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, 19801, USA					
16) Rugby Football Union USA	USA	100%	Subsidiary	30 June	Holding company

In addition to the shareholding above, the Parent company is one of nine members of European Professional Club Rugby, a Swiss association whose principal activity is managing the relevant European club competitions.

*As charities, neither Rugby Football Foundation nor RFU Injured Players Foundation have share capital. The Rugby Football Union has control of these entities through representation on their Board of Trustees and they are therefore considered to be quasi-subsubsidiaries.

**Due to the Group's inability to exercise significant influence over the investee and the immateriality of its net surplus and net assets after the settlement of its contractual obligations, the Directors have not equity accounted this investment.

***Six Nations Rugby Limited's share capital is beneficially owned by Six Nations Council. Six Nations Council is an unincorporated members' association formed by The Rugby Football Union, the Irish Rugby Football Union Limited, the Welsh Rugby Football Union Limited, the Scottish Rugby Union plc, La Federation Francaise de Rugby and La Federazione Italiana Rugby. The company operates as an agent on behalf of the Council and the Member Unions.

[^]Entities are dormant and exempt from audit under section 477 of the Companies Act 2006.

16. Investment property

Group and Parent	Freehold investment property £m
Valuation	
At 1 July 2018	6.5
Fair value adjustments	-
At 30 June 2019	6.5

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2019 £m	2018 £m
Cost	1.4	1.5
Depreciation	(0.1)	(0.1)
Net book value	1.3	1.4

17. Stock

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Goods held for resale	0.6	0.4	-	-

There is no material difference between the net book value of stock and its replacement cost. Stock with a carrying value of £7.1m (2018: £5.5m) was recognised by the Group as an expense during the year.

An impairment loss of £nil (2018: £0.1m) was recognised in profit and loss during the year due to slow-moving and obsolete items.

18. Debtors and prepayments

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Amounts falling due within one year				
Trade debtors	12.8	14.2	7.9	13.0
Amounts owed by Group undertakings	-	-	43.2	43.8
Other debtors	0.6	6.6	0.4	4.8
Prepayments and accrued income	11.6	10.1	11.1	8.9
	25.0	30.9	62.6	70.5

18. Debtors and prepayments continued

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Amounts falling due after one year				
Other debtors and accrued income	0.2	0.2	0.2	0.2
	0.2	0.2	0.2	0.2

Based on a review of the age and nature of debtors and prior experience, management has concluded that a bad debt provision of £1.9m (2018: £nil) is required.

19. Cash at bank and in hand

Cash at bank and in hand includes £1.1m (2018: £1.0m) held in restricted funds by the Group's two charities, the RFU Injured Players Foundation and Rugby Football Foundation.

20. Creditors

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Amounts falling due within one year				
Trade creditors	8.3	3.9	4.6	4.3
Amounts owed to Group undertakings	-	-	31.1	39.9
Corporation tax	1.0	0.4	-	-
Other taxes and social security	3.1	1.7	2.9	0.8
Other creditors	1.1	1.7	0.4	0.6
Accruals and deferred income	42.6	39.0	31.1	26.9
	56.1	46.7	70.1	72.5

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Amounts falling due after one year				
Bank loans (see note 21)	59.5	44.3	59.5	44.3
Other creditors	80.9	79.3	80.9	79.3
Accruals and deferred income	0.5	2.2	-	-
	140.9	125.8	140.4	123.6

Other creditors falling due after one year includes the RFU obligation to repurchase the Compass Group's 40% shareholding in TEL in 2028. A £3m loan received from Compass Group was fully repaid in 2017/18. No creditors hold security on any assets.

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
21. Bank loans				
Amounts falling due between two and five years	59.5	44.3	59.5	44.3

In December 2017 the RFU replaced its previous five year unsecured revolving credit facility with two new facilities: a committed term loan and a committed revolving credit facility with a combined value of £75m. The term loan of £50m has interest payable at 2.25% above LIBOR on drawn down funds, while the £25m revolving credit facility has interest payable at 1.75% above LIBOR on drawn down funds. In addition the revolving credit facility has a non-utilisation fee of 0.70% on the available commitment not drawn down. The RFU also has an overdraft facility of £25m that has interest payable at 1.75% above base rate. The bank loan balance is offset by an arrangement fee of £0.5m (2018: £0.7m) for the aforementioned facilities. The fees are released on a straight line basis over the period of the facilities.

22. Debentures

During the year, 14 debentures of the same class (2018: 1,397) were issued for a total consideration of £0.2m (2018: £6.2m). All debentures are interest free, unsecured and are repayable at par.

Analysis of debt maturity	Group & Parent 2019 £m	Group & Parent 2018 £m
Debentures 2075	9.8	9.8
Debentures 2076	6.7	6.7
Debentures 2077	4.0	4.0
Debentures 2078	19.1	19.1
Debentures 2079	5.2	5.2
Debentures 2080	12.6	12.6
Debentures 2081	26.9	26.9
Debentures 2083	7.7	7.7
Debentures 2085	15.7	15.7
Debentures 2086	10.2	10.2
Debentures 2087	4.2	4.2
Debentures 2088	28.6	28.6
Debentures 2089	7.4	7.4
Debentures 2090	0.1	0.1
Debentures 2091	40.9	40.9
Debentures 2092	11.4	11.4
Debentures 2093	8.9	8.7
	219.4	219.2

23. Share capital

Allotted, called up and fully paid	2019	2018
	£m	£m
2,000 allotted, called up and fully paid shares of £1 each	-	-

There are a total of 2,000 allotted, issued and fully paid up ordinary shares of £1 each as at 30 June 2019. Each member of the Rugby Football Union must hold one share which is subject to forfeiture upon ceasing to be a member.

24. Operating lease and other commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

Lease arrangements where Group and Parent are lessees	2019	2018
	£m	£m
Motor vehicles		
Within one year	0.1	0.1
Between two and five years	0.1	0.2
	0.2	0.3

Professional Game Agreement

Under the Professional Game Agreement which has run from the 2016/17 season, the RFU will invest up to £112m across the first four years, with the total payments over the eight years expected to be in excess of £200m. Further details on this agreement are found on page 58.

25. Reserves**Debenture reserve**

The debenture reserve comprises the accumulated gains on the sale of debentures issued prior to 2000.

Other reserve

The other reserve records the impact of transactions in the minority interest in Twickenham Experience Limited. It primarily comprises the amount to acquire the Compass Group's 40% shareholding in TEL in 2028. The reserve is increasing on a straight line basis of £1.6m per year which is charged to the Profit and Loss Account as an interest expense.

Profit and Loss reserve

The Profit and Loss reserve records the accumulated gains and losses to date through the Statement of Comprehensive Income. In 2018, the TEL transaction generated a gain after associated costs of £31.6m which, as it relates to a transaction in shares of a subsidiary, has been recorded directly in the Profit and Loss reserve.

26. Defined benefit pension scheme

The RFU operates a defined benefit pension scheme in the UK. The scheme is closed to new entrants. This is a separate trustee administered fund, holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 30 April 2017 and updated to 30 June 2019 by a qualified actuary, independent of the scheme's sponsoring employer. The most recent FRS 102 valuation shows a £0.5m pension scheme surplus compared with a surplus of £2.5m last year, primarily due to a change in the discount rate. The major assumptions used by the actuary are shown below.

The most recent triennial actuarial valuation as at 30 April 2017 showed a deficit of £4.6m. The RFU has agreed with the Trustees that it will pay annual deficit reduction contributions of £500,000 each year until July 2021 and subsequently £167,500 each year until July 2025. In addition, and in accordance with the actuarial valuation, the employer has agreed with the Trustees that it will pay 41.5% of pensionable earnings in respect of the current cost of accruing benefits. The RFU will separately meet expenses of the scheme, insurance premiums for death-in-service benefits and levies to the Pension Protection Fund. Member contributions are payable in addition at the rate of 5.0% of pensionable pay. The figures below exclude insured pensioner policies.

Present value of defined benefit obligation, fair value of assets and defined pension liability:

	2019	2018
	£m	£m
Balance sheet impact		
Fair value of plan assets	44.8	40.5
Present value of defined benefit obligation	(44.3)	(38.0)
Defined pension asset	0.5	2.5

	2019	2018
	£m	£m
Reconciliation of the opening and closing balances of the defined benefit obligation		
Defined benefit obligation at start of period	38.0	43.0
Current service cost	0.2	0.4
Interest expense	1.0	1.2
Contributions by plan participants	0.1	0.1
Actuarial loss/(gain)	5.7	(4.7)
Benefits paid	(0.7)	(2.0)
Defined benefit obligation at end of period	44.3	38.0

	2019	2018
	£m	£m
Reconciliation of the opening and closing balances of the fair value of scheme assets		
Fair value of plan assets at start of period	40.5	40.0
Interest income	1.0	1.1
Actuarial gains	3.4	0.8
Contributions by the RFU	0.7	0.5
Contributions by plan participants	-	0.1
Benefits paid	(0.8)	(2.0)
Fair value of plan assets at end of period	44.8	40.5

The actual return on the plan assets over the period ended 30 June 2019 was £4.4m (2018: £1.8m).

26. Defined benefit pension scheme continued

	2019	2018
	£m	£m
Defined benefit costs recognised in the Profit and Loss Account		
Current service cost	0.2	0.4
Net interest cost	(0.1)	0.1
Defined benefit costs recognised in Profit and Loss Account	0.1	0.5

	2019	2018
	£m	£m
Defined benefit costs recognised in other comprehensive income		
Return on plan assets (excluding amounts included in net interest cost) - gain	3.3	0.8
Experience gains and losses arising on the plan liabilities - gain	0.1	1.8
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - (loss)/gain on total	(5.7)	2.9
Total amount recognised in other comprehensive income	(2.3)	5.5

	2019	2018
	£m	£m
Assets		
UK equities	0.6	0.6
Overseas equities	11.6	11.2
Corporate bonds	8.2	7.0
Insured assets	19.3	16.9
Property	1.3	1.3
Cash	2.4	2.1
Other	1.4	1.4
Total assets	44.8	40.5

None of the fair values of the assets shown above include any direct investments in the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

	2019	2018
	% per annum	% per annum
Assumptions		
Discount Rate	2.3	2.7
Inflation (RPI)	3.3	3.2
Inflation (CPI)	2.3	2.2
Salary Growth	1.5	1.5
Allowance for revaluation of deferred pensions (RPI or 5% p.a. if less)	3.3	3.2
Allowance for pension in payment increases (RPI or 5% p.a. if less)	3.1	3.1
Allowance for pension in payment increases (CPI or 3% p.a. if less)	2.0	2.0
Allowance for commutation of pension for cash at retirement	90% of Post A Day	90% of Post A Day

26. Defined benefit pension scheme continued

The mortality assumptions adopted at 30 June 2019 imply the following life expectancies:

	Life expectancy at age 60	
	2019	2018
Male retiring in current year	26.4	26.6
Female retiring in current year	28.4	28.6
Male retiring in 20 years	27.9	28.1
Female retiring in 20 years	30.0	30.2

The best estimate of contributions to be paid by the Group to the scheme for the period commencing 1 July 2019 is £0.8m (2018: £0.9m).

27. Related parties

Under FRS 102 section 33, the Group is exempt from disclosing related party transactions with entities which are wholly owned by the Rugby Football Union. All transactions with entities owned by the Group are eliminated on consolidation.

In the year, the RFU was paid £0.6m (2018: £0.5m) by TEL in respect of shared services and lease of catering facilities. During the year the RFU received £4.4m (2018: £2.4m) from TEL in respect of ticket revenue and royalties, and paid £1.4m (2018: £1.7m) to TEL in respect of catering services. The Group paid £17.5m (2018: £14.3m) to the Compass Group in respect of staff costs, royalties and other services. At 30 June 2019 £4.2m (2018: £2.5m) was owed to the RFU by TEL and is shown in amounts owed by Group undertakings in the Parent balance sheet.

During the year, the RFU generated income £0.2m (2018: £0.2m expenditure) from its subsidiary company England Rugby Travel Limited.

Total remuneration for the full senior management team (inclusive of social security costs) was £2.9m (2018: £2.6m). The increase is primarily due to the departure of Steve Brown as Chief Executive.

28. Financial instruments**Financial risk factors**

The Group is exposed to various financial risks relating to its interest bearing assets and liabilities. The financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk due to the income from the Six Nations Tournament being denominated in Euros. This risk is mitigated through the use of forward contracts which fix the exchange rate up to a year in advance.

Interest rate risk

The Group has interest bearing liabilities on which interest is payable at a variable rate. The relevant rate is based on a percentage above the LIBOR.

Credit risk

The Group has no significant concentration of credit risk. It also has implemented policies that ensure that appropriate credit checks are carried out before sales to new customers commence. Interest bearing assets are only invested with financial institutions that have a minimum A credit rating.

28. Financial instruments continued**Liquidity risk**

The Group invests surplus cash in interest bearing assets for various terms. Not more than 80% of available cash is generally invested in fixed term assets at any one time. Investments are not made for periods exceeding three months.

Borrowing facilities

At 30 June the Group has the following undrawn committed facilities available for which all conditions precedent have been met:

	2019 £m	2018 £m
Expiring between two and five years	15.0	30.0

The Company has an overdraft facility of £25.0m.

Financial instruments

The carrying value of the Group's financial assets and liabilities are summarised by category below:

	Group 2019 £m	Group 2018 £m	Parent 2019 £m	Parent 2018 £m
Financial assets measured at fair value through profit or loss				
Investments at fair value held by the charities	7.8	7.8	-	-
Financial assets that are debt instruments measured at amortised cost				
Trade debtors	12.8	14.2	7.9	13.0
Amounts owed by group undertakings	-	-	43.2	43.8
Bank accounts	28.6	24.3	14.6	11.0
Other debtors (including non-current)	0.8	6.6	0.6	5.0
Loans to club	7.9	7.8	-	-
	57.9	60.7	66.3	72.8
Financial liabilities measured at amortised cost				
Trade creditors	8.3	3.9	4.6	4.3
Amounts owed to group undertakings	-	-	31.1	39.3
Debentures	219.4	219.2	219.4	219.2
Other creditors (including non-current)	82.0	81.0	81.3	79.9
Bank loans	59.5	44.3	59.5	44.3
Accruals	23.0	19.0	14.9	12.0
	392.2	367.4	410.8	399.0

Gains and losses on the re-measurement of assets and liabilities held at fair value through the Profit and Loss Account at the Balance Sheet date are determined from available market data, including appropriate assumptions about credit losses, interest rates and discount rates.

Loans to clubs, and debentures, are within the scope of concessionary loans and are recognised at face value.

29. Rugby Football Foundation

The financial results and position of the Rugby Football Foundation (RFF), which are included in the Group financial statements, are provided below on the grounds that its funds may only be utilised in the pursuit of its charitable objectives. The objectives are: to promote community participation in healthy recreation, provide and assist in providing facilities for sport, recreation and leisure time, and to advance the education of children and young people.

Statement of financial activities	2019	2018
	£m	£m
Donations received	31.6	30.5
Direct charitable activities	(31.1)	(30.0)
Grants to clubs	(0.9)	(0.8)
(Deficit) for the year	(0.4)	(0.3)
Balance sheet	2019	2018
	£m	£m
Loans due from clubs	7.9	7.8
Debtors	28.0	35.2
Cash at bank and in hand	0.6	0.6
Loans due to Group undertakings	(6.8)	(6.8)
Creditors falling due within one year	(28.4)	(35.1)
	1.3	1.7
Represented by:		
Unrestricted funds	0.6	0.6
Restricted funds	0.7	1.1
	1.3	1.7

30. RFU Injured Players Foundation

The financial results and position of the RFU Injured Players Foundation (IPF), which are included in the Group financial statements, are provided on the grounds that its funds may only be utilised in the pursuit of achieving its charitable objective. The primary objective is the provision of financial assistance to rugby players who have suffered catastrophic injuries.

Statement of financial activities	2019	2018
	£m	£m
Donations received	0.8	1.4
Direct charitable activities	(1.4)	(1.9)
Operating loss	(0.6)	(0.5)
Investment income	0.4	0.3
Investment (loss)/gain	(0.2)	0.1
(Deficit) for the year	(0.4)	(0.1)
<hr/>		
Balance sheet	2019	2018
	£m	£m
Investments	7.8	7.8
Debtors	2.6	2.6
Cash at bank and in hand	0.5	0.4
Creditors	(3.5)	(3.0)
	7.4	7.8
<hr/>		
Represented by:		
Unrestricted funds	1.9	2.1
Restricted funds	5.5	5.7
	7.4	7.8
<hr/>		

During the 2011/12 year the IPF became the Trustee of the SPIRE sub-trust, whose assets at that time were held in permanent endowment. The restriction was lifted on 27 June 2017, which means the Group is able to use the capital as well as the income of the fund for its charitable activities.

Summary of Group Profit and Loss	2019	2018	2017	2016
	£m	£m	£m	£m
Revenue	213.2	172.4	184.9	407.1
Costs	(97.8)	(89.1)	(91.3)	(304.8)
Profit before rugby investment	115.4	83.3	93.6	102.3
Professional rugby investment	(65.6)	(70.7)	(63.7)	(55.7)
Rugby development investment	(34.9)	(37.0)	(35.9)	(34.1)
Operating (loss)/profit	14.9	(24.4)	(6.0)	12.5
Net finance (cost)/income	(3.0)	(3.4)	0.5	(0.8)
Profit/(loss) on ordinary activities before taxation	11.9	(27.8)	(5.5)	11.7
Tax credit/(charge) on ordinary activities	(1.9)	-	1.5	(3.0)
Attributable to non-controlling interests	(6.1)	(3.1)	(3.7)	(4.8)
Profit/(loss) for the year	3.9	(30.9)	(7.7)	3.9
Summary of Group Balance Sheet	2019	2018	2017	2016
	£m	£m	£m	£m
Fixed assets	331.5	301.6	263.8	257.0
Other net current (liabilities)/assets	(23.3)	(8.2)	16.6	(12.8)
Net debt (bank loan less cash)	(30.9)	(20.0)	(10.2)	(17.1)
Creditors amounts falling due after one year	(81.4)	(81.5)	(52.0)	(28.9)
Pension asset/(liability)	0.5	2.5	(3.0)	(5.1)
Profit and loss reserve	28.6	25.1	18.5	40.6

**GOOD
FOR
RUGBY**







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