WORLD SAILING LIMITED

(Excluding WS Investment Trust and World Sailing Trust)

FINANCIAL REPORT TO COUNCIL

Accounts to 31 August 2021

and

Forecast for 2021-2024

WORLD SAILING – FINANCE REPORT – FORECAST FOR 2021-2024

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Introduction

This report includes the financial statements for World Sailing (WS), including the actual financial results for the eight months ended 31 August 2021 and the forecast for the remaining four months to 31 December 2021. The actual results are compared to the budget for the year.

The report also includes forecast profit and loss and quarterly cash flow statement for the quad 2021-2024. The forecast has been prepared on a high-level basis, and is aligned with the overall objectives for each division from a strategic perspective. The WS board has not yet had any input and the Executive Office will work with the board over the next few weeks to finalise the budget for 2022 and approve the high-level forecasts for 2023 and 2024.

Executive Summary

Current year:

The ongoing impact of the pandemic has led to the cancellation or postponement of some events again this year. However, WS has managed to hold one of its world cup series events in Medemblik in June 2021 and it is expected that the Youth Worlds event in Oman will go ahead in December. Tokyo2020 was also delivered successfully and WS has received its first installment from the IOC in September 2021 with the expectation that the projected total distribution is within our budgeted expectations.

The company's gross margin for the year is expected to be in line with budget at gross margin level whilst net margin is expected to be below budget due to exceptional items as explained later in this report. WS sponsors have been very supportive and revised terms have been agreed with some sponsors for mutual benefit.

Forecast 2021 – 2024:

WS expects to be back in full operation from 2022 and the forecast assumes that all events will take place as planned from the beginning of next year.

Over the past two years, WS's focus has been on cost reduction, with the aim to navigate out of the cashflow crisis it faced mainly because of the postponement of Tokyo2020. However, the previous board had already embarked on a cost reduction exercise in 2019 when it became evident that the generation of new income streams was proving to be challenging. While these efforts were required and ensured WS was able to operate on a going concern basis until Tokyo2020, the lack of investment in services and internal resources has had a negative impact on the operations of WS and the achievement of its strategic goals.

WS is now on a more stable financial footing and ready to rebuild and focus on the development of the Sport of Sailing. The forecast for 2022-2024 provides for much needed investment in key areas of operations, but especially Participation and Development, Technical Services, and internal skilled resources. There will be a renewed drive to diversify and expand income streams to support the next phase of WS's growth end ensure firm foundations are laid for its stability and success.

WORLD SAILING – FINANCE REPORT – FORECAST FOR 2021-2024

The commentary below is high-level and brief and aims to explain results using visual tables where appropriate. We welcome further questions from Council members where further detail or clarification is sought.

Financial results for 2021

The profit and loss statement below includes the actual financial results for the period to 31 August 2021 and forecast for the rest of the financial year to 31 December 2021 compared to budget. Gross margins for the year are expected to be in line with budget. The net operating surplus is however negative against budget by £805K due to higher than budget Administration costs. The variances are explained below.

	8 months to 31 Aug 2021			Year to 31 December 2021		
	Actual	**Budget**	**Variance**	**Forecast**	**Budget**	**Variance**
Turnover						
Income	5,563,292	5,913,036	(349,744)	5,948,016	5,913,036	34,980
Total Turnover	**5,563,292**	**5,913,036**	**(349,744)**	**5,948,016**	**5,913,036**	**34,980**
Cost of Sales						
Direct Costs	515,058	1,271,985	756,927	1,344,995	1,304,118	(40,877)
Total Cost of Sales	**515,058**	**1,271,985**	**756,927**	**1,344,995**	**1,304,118**	**(40,877)**
Gross Profit	**5,048,235**	**4,641,051**	**407,184**	**4,603,022**	**4,608,918**	**(5,897)**
Administrative Costs						
Employment Costs	1,262,613	1,257,872	(4,741)	1,924,379	1,885,168	(39,211)
Overheads	520,640	508,096	(12,544)	1,498,804	769,390	(729,414)
Currency Gains & Losses	30,129	0	(30,129)	30,130	0	(30,130)
Total Administrative Costs	**1,813,382**	**1,765,968**	**(47,414)**	**3,453,313**	**2,654,558**	**(798,755)**
Operating Profit	**3,234,852**	**2,875,083**	**359,769**	**1,149,709**	**1,954,360**	**(804,651)**
Profit on Ordinary Activities Before Tax	**3,234,852**	**2,875,083**	**359,769**	**1,149,709**	**1,954,360**	**(804,651)**

Income:

Income includes 33.3% of the expected Tokyo2020 total distribution. The balance will be recognised over 2022 and 2023. IOC have confirmed that the distribution is expected to be at least that of Rio2016 and is in line with our forecast.

Direct costs:

Direct costs include the cost of delivering the Tokyo2020 games with savings against budget of £100K due to travel restrictions and other cutbacks.

A provision of £60K has been make for a sponsorship awards event to take place in Q4.

Q4 2021 is expected to see an increase in Participation and Development activities, some of which will be aligned with the Youth Worlds in December.

Administration costs:

Employment costs: Include contractor costs and recruitment costs.

Forecast costs for the year are expected to be £39K above budget. There has been a natural turnover in staff during the year and those roles have been filled by third party contractors, especially in the Legal services team. The executive office has taken this opportunity to review each divisions resources and skill sets against its deliverables to have a fit for purpose team and renewed drive to focus on key areas. WS has now initiated a recruitment drive to fill these positions.

Overheads:

Total costs of £1.5M for overheads for the year are expected to be £729K above budget, mostly due to the assignment of the current Office Lease. WS has agreed Heads of Terms and expects to complete by the end of November 2021. The terms of assignment will absolve WS of any future liability in relation to the lease. WS has negotiated directly with the landlord to release it from any future contingent liabilities as guarantor. The overhead costs include charges for the negotiated rent premium and dilapidations contribution to be paid to the assignee, together with the related legal and professional fees. The net profit and loss charge after releasing the balance of deferred rent benefit (from the original lease to WS) is £362K. In addition, WS's net book value of Leasehold improvements is £278K and that too will be expensed in the year. Therefore, £640K of the overhead cost and variance relates to non-recurring items.

The budget for the year made no provision for depreciation. Actual charge for the year of £70K is therefore included in the negative variance under overheads.

Insurance costs are the single largest expense to see a significant increase in 2021, and this relates to WS's Management Liability insurance which has increased by £37K. This policy offers protection to company officials for actions brought against them in the performance of their roles. The last two years has seen a significant loss to our insurers and hence the increase in premiums and in addition the policy has new restrictions.

Currency losses for the period were £30K and were not budgeted. Most of this relates to Bank revaluation adjustments - unrealised losses.

Cashflow:

The cash balance at the end of 31 August 2021 was £302K and is expected to be £7.36M at the end of December 2021. The first installment of the Tokyo2020 distribution of $6.8M was received from the IOC in September and the second of a similar amount is due in December, with the final balance to be paid in March 2022.
The first installment of the loan repayment due to the IOC for $620K is due to be paid in December 2021.

WORLD SAILING – FINANCE REPORT – FORECAST FOR 2021-2024

Quarterly Cashflow forecast 2021

Account	Actual Q1 2021	Actual Q2 2021	Forecast Q3 2021	Forecast Q4 2021	2021
Opening cash	**1,122,203**	**1,679,955**	**935,106**	**4,760,195**	**1,122,203**
Cash receipts	1,152,678	289,780	5,172,274	5,198,448	**11,813,179**
Cash payments	(943,853)	(1,054,412)	(1,374,368)	(2,190,740)	**(5,563,371)**
Fixed asset additions	(124,268)	(46,225)	(29,437)	(6,960)	**(206,890)**
VAT refunds	21,885	66,007	56,620	50,480	**194,992**
Net cash movement	**106,443**	**(744,850)**	**3,825,089**	**3,051,228**	**6,237,910**
Closing Cash - pre funding	**1,228,646**	**935,106**	**4,760,195**	**7,811,423**	**7,360,113**
Loans	451,310	0	0	(451,310)	**(0)**
WS Investment Trust	0	0	0	0	**0**
Closing Cash - post funding	**1,679,955**	**935,106**	**4,760,195**	**7,360,113**	**7,360,113**

WORLD SAILING – FINANCE REPORT – FORECAST FOR 2021-2024

Forecast for 2021-2024

The forecast below has been prepared on a high-level basis and includes the Executive Office's plans on the allocation of resources and areas of investment. The allocation of resources and cash over the three years 2022-2024 is prioritised for investment in Participation and Development, Technical services, IT and Website development, and staff resources to deliver these services. However, the plan is prudent with likely new sources of income and potential to improve efficiencies through the introduction of new technologies and further advancements in the company website to integrate new processes.

The current forecast profit for the quad is almost £1M below what was projected in 2020 and presented to Council in October 2020. However, £805K of this relates to 2021 as explained above. Details of other variances included below.

Consolidated Profit and Loss reforecast
Year Ended 31 Dec 2021-2024

	Reforecast 2021	Reforecast 2022	Reforecast 2023	Reforecast 2024	2021-2024	Council presentation in 2020**	Change
Turnover							
Income	5,948,016	7,571,351	8,362,479	7,479,274	**29,361,120**		
Total Turnover	**5,948,016**	**7,571,351**	**8,362,479**	**7,479,274**	**29,361,120**	27,625,845	1,735,275
Cost of Sales							
Direct Costs	1,344,995	2,795,422	4,040,238	3,418,444	**11,599,098**		
Total Cost of Sales	**1,344,995**	**2,795,422**	**4,040,238**	**3,418,444**	**11,599,098**	12,768,484	1,169,386
Gross Profit	**4,603,022**	**4,775,929**	**4,322,241**	**4,060,830**	**17,762,022**	14,857,361	2,904,661
Administrative Costs							
Employment Costs	1,924,379	3,082,101	2,868,684	3,003,114	**10,878,278**	7,581,526	(3,296,753)
Overheads	1,151,107	530,365	536,486	535,278	**2,753,236**	2,620,610	(132,625)
Currency Gains & Losses	30,130	0	0	0	**30,130**		
Depreciation Expenses	347,697	18,000	18,000	18,000	**401,697**		
Total Administrative Costs	**3,453,313**	**3,630,466**	**3,423,170**	**3,556,392**	**14,063,340**	10,202,136	(3,861,204)
Operating Profit	**1,149,709**	**1,145,463**	**899,071**	**504,438**	**3,698,682**	4,655,225	(956,543)

** Income adjusted to recognise Olympic receipt over the respective following quad,starting in year of the games.

WORLD SAILING – FINANCE REPORT – FORECAST FOR 2021-2024

Forecast for 2021-2024

Income:

Income for 2022 and 2023 includes 33.33% of the Tokyo2020 distribution, which has been deferred in 2021 and split over three years 2021-2023. The year 2024 includes 25% of the expected distribution for Paris2024, currently forecast as the same level as Tokyo2020.

The forecast for 2022-2024 includes provisions for new income of £1.2M from sponsorships, a further £294K from special events sanction fees and £450K for Hosting WS annual conferences in 2023 and 2024.

All other income projections are based on either existing revenue agreements or agreements where renewal are expected with high levels of confidence.

No provision has been made for new Sustainability grants or other related income, although WS is working with various partners to fund numerous projects for both WS and World Sailing Trust.

Two major events are expected to take place over the next three years, World Sailing Championships in 2023 and Paris 2024.

Direct costs:

Brief detail of direct costs are included in the table below to demonstrate the planned increase in spend over the next three years in key areas of the organisation. Participation and Development remains a key priority for WS.

	2021	2022	2023	2024
Administration: Website Maintenance	131,383	115,690	110,653	131,233
Commercial: Digital Comms, Marketing, Broadcasts for Events	590,132	1,022,003	2,018,188	1,132,128
Events: Other event delivery costs	182,331	314,090	638,009	607,090
Members services: Annual conferences, Mid Year meetings, Board expenses	110,124	496,900	339,050	480,800
Participation & Development: ENP, Traing & Dev, PDP, Para Sailing, Race Officials	313,002	699,801	799,800	906,800
Sustainability: delivery of services and Agenda 2030. Excludes new projects.	4,203	14,938	14,938	23,438
Technical & offshore: from 2022, Olympic class administration,Equipment inspections/QC	13,819	132,000	119,600	136,955
TOTAL per yaer	**1,344,995**	**2,795,422**	**4,040,238**	**3,418,444**

Year 2023 costs under Commercial include direct costs for the World Championships 2023 o be held in the Hague. The increased spend is coved by income from the organisers.

Administration costs:

Employment costs:

The previous forecast has assumed no increases in staff resources over the quad. However, current staffing levels are untenable to be able to adequately deliver services in some areas. The executive office has done a detailed review of resources and deliverables for each division and made a provision to add resources where required. Current and projected headcounts per division are included in the table below, showing an increase in headcount for the Technical team, Participation & Development, IT development support, Sponsor development, Sustainability and Legal teams.

Department	2021	2022	2023	2024
Events	7	7	7	7
Legal & Governance	2	2	3	3
Technical & Offshore	4	7	7	7
Participation & Development	2	3	3	3
Finance & HR	2	2	2	2
Members services, IT, Website,Admin support services	2	3	3	3
Commercial, Marketing & Business Development	2	3	3	3
Sustainability	1	2	2	2
Communications & Digital	4	4	4	4
CEO Office	2	2	2	2
TOTAL	**28**	**35**	**36**	**36**

Although the budget assumes all roles new roles will be filled from Jan2022, it is likely that recruitment will be staggered over Q1-Q2 next year.

Costs for 2022 include a provision of £120K for recruitment fees.

Third-party Contractor costs of £244K are included in 2022, which will discontinue from 2023 onwards. These relate to legal & Governance support and Business development, Sustainability and Communications agencies support.

Overheads:

Office lease – It is assumed that the current lease will terminate at the end of November 2021 and all related costs are included in that year. WS has negotiated competitive terms for a short new term (3-5 years) lease for smaller office space in London. If the agreement is approved by the board, actual costs (rent, rates, utilities and services) are expected to be under £170per annum, compared to current costs which are around £590K per annum. The forecast assumes the new space will be leased from January 2022 with no rent increase over the period 2022-2024.

Other costs include Insurances, Office running costs, telephone/mobile/broadband costs and equipment rental costs.

Capital expenditure

The new website is expected to go live imminently. The final payment for the current development is due in January 2022.

Year 2022 Includes a provision of £110K for Capital expenditure to integrate key processes with the company website. However. the work has yet to be fully scoped and assessed. The developments will cover services being delivered by the Technical & Offshore team and the Race Officials management team. There is also additional provision for developing the portal for Sailors.

Cashflow forecast:

The quarterly cashflow forecast for 2022-2024 is included on the next page below. The Executive Office aims to retain adequate cashflows to ensure reserves of at least £1M at any one time. However, the forecast shows that available cash balance dips below this level in June 2024 with the balance at the end of August 2024 (just before Paris2024 games) at around £500K. However, the Executive office will monitor spend verses income throughout the three years to take necessary actions to maintain the reserves benchmark.

The following page also includes the current valuation of the investment funds held under WS Investment Trust valued at around £2.5M. The fund has maintained its value with good returns to date. It is worth noting that the Trust funds add additional financial security for WS should it need it in future.

Quarterly Cashflow forecast 2022

Forecast Q1 2022	Forecast Q2 2022	Forecast Q3 2022	Forecast Q4 2022	2022
7,360,113	9,845,172	8,662,099	7,826,206	7,360,113
4,336,080	489,148	650,950	582,438	**6,058,615**
(1,809,313)	(1,659,513)	(1,481,636)	(1,558,657)	**(6,509,120)**
(63,500)	(34,500)	(27,000)	(27,000)	**(152,000)**
21,793	21,793	21,793	21,793	**87,172**
2,485,059	(1,183,073)	(835,893)	(981,426)	(515,333)
9,845,172	8,662,099	7,826,206	6,844,780	6,844,780
0	0	0	(451,310)	**(451,310)**
0	0	0	0	**0**
9,845,172	8,662,099	7,826,206	6,393,470	6,393,470

Quarterly Cashflow forecast 2023

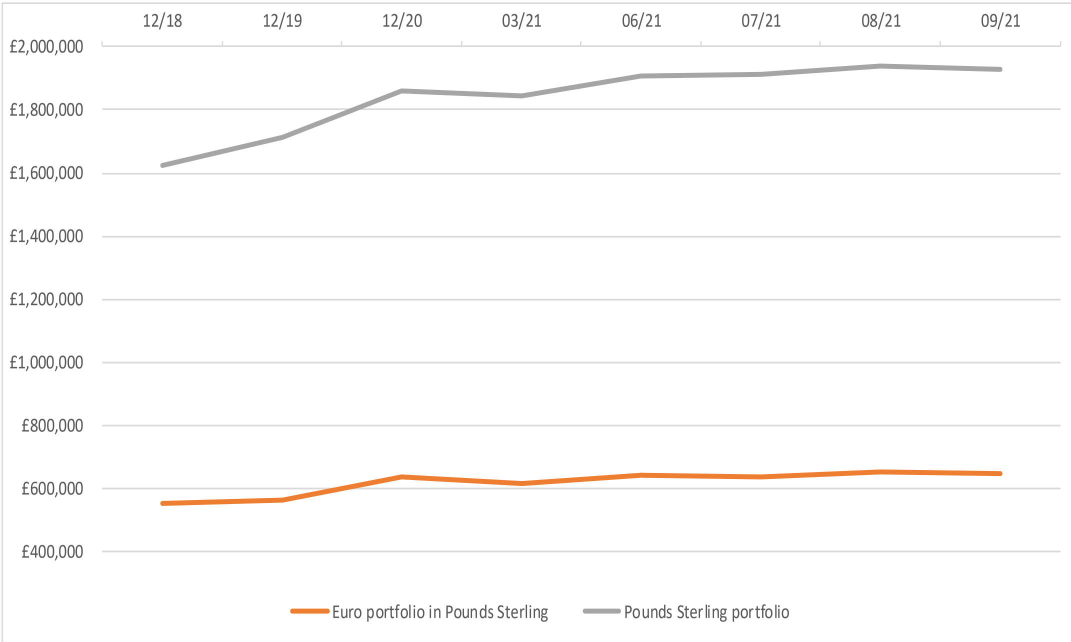
Forecast Q1 2023	Forecast Q2 2023	Forecast Q3 2023	Forecast Q4 2023	2023
6,393,470	7,012,461	5,831,465	3,458,001	6,393,470
2,157,298	401,331	364,938	530,847	**3,454,416**
(1,558,100)	(1,602,120)	(2,758,196)	(1,627,418)	**(7,545,833)**
(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
21,793	21,793	21,793	21,793	**87,172**
618,992	(1,180,996)	(2,373,465)	(1,076,777)	(4,012,246)
7,012,461	5,831,465	3,458,001	2,381,223	2,381,223
0	0	0	(451,310)	**(451,310)**
0	0	0	0	**0**
7,012,461	5,831,465	3,458,001	1,929,913	1,929,913

Quarterly Cashflow forecast 2024

Forecast Q1 2024	Forecast Q2 2024	Forecast Q3 2024	Forecast Q4 2024	2024
1,929,913	2,187,140	954,503	5,321,955	1,929,913
1,865,019	412,146	6,438,409	5,696,686	**14,412,260**
(1,627,586)	(1,664,575)	(2,090,750)	(1,666,442)	**(7,049,353)**
(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
21,793	21,793	21,793	21,793	**87,172**
257,226	(1,232,636)	4,367,452	4,050,037	7,442,079
2,187,140	954,503	5,321,955	9,371,992	9,371,992
0	0	0	(451,310)	**(451,310)**
0	0	0	0	**0**
2,187,140	954,503	5,321,955	8,920,682	8,920,682

WS Investment Trust - Fund Valuation

	31/12/2018	31/12/2019	31/12/2020	31/03/2021	30/06/2021	31/07/2021	31/08/2021	30/09/2021	Movement last 12 months	Movement since Dec19
Euro Portfolio	€ 611,019	€ 663,564	710,445	721,798	744,934	750,157	757,786	754,015		
Euro portfolio in Pounds Sterling	£ 550,964	£ 562,366	636,010	615,783	638,939	638,561	650,216	646,436		
Pounds Sterling portfolio	£1,624,157	£1,711,135	1,862,648	1,842,283	1,906,029	1,914,170	1,937,858	1,926,110		
Total Portfolio in Pounds Sterling	**£2,175,121**	**£2,273,501**	**£ 2,498,658**	**£2,458,066**	**£2,544,968**	**£2,552,731**	**£2,588,074**	**£ 2,572,546**	**£ 148,997 6.3%**	**£314,573 13.8%**
FX rate Euros / Pounds Sterling	1.11	1.18	1.12	1.17	1.17	1.17	1.17	1.17		



MNA Debtors
World Sailing Limited
28/10/2021

Receivables	Total		due for	
African Sailing Confederation (ASCON)	£220.50	MNA	2021	
Bahrain Maritime Sports Association	£1,093.88	MNA	2020-2021	
Bolivian Sailing Federation	£110.25	MNA	2021	
Cuban Sailing Federation	£330.75	MNA	2021	
Federacion Nicaraguense	£110.25	MNA	2021	
Federation de Vela de Puerto Rico	£826.88	MNA	2021	
Federacion Venezolana de Vela	£1,056.11	MNA	2019-2021	
Fiji Yachting Association	£110.25	MNA	2021	
Indonesian Sailing Federation	£826.88	MNA	2021	
Iran Canoeing, Rowing and Sailing Federation	£826.88	MNA	2021	
Koninklijk Nederlands Watersport Verbond	£365.06	MNA	2021	MNA underpaid
Mauritius Yachting Association	£330.75	MNA	2021	
Pago Pago Yacht Club Inc	£110.25	MNA	2021	
Sailing Federation of Kyrgyzstan	£330.75	MNA	2021	
Sailing Papua New Guinea Inc.	£330.75	MNA	2021	
Timor Leste Sailing Federation	£110.25	MNA	2021	
Botswana Yacht Racing Association	£715.25	MNA SUSP PRE	2015-2021	
Federation Djiboutienne de Voile et des Sports Nautique	£870.75	MNA SUSP PRE	2012-2021	
Federation Senegalaise De Voile	£840.25	MNA SUSP PRE	2013-2021	
Kenya Yachting Association	£1,230.75	MNA SUSP PRE	2017-2021	
Kosovo Sailing Federation	£515.25	MNA SUSP PRE	2017-2021	
Nigeria Rowing Canoe and Sailing Federation	£630.75	MNA SUSP PRE	2020-2021	
Panama Sailing Association	£415.25	MNA SUSP PRE	2018-2021	
Sailing Association of Zimbabwe	£515.25	MNA SUSP PRE	2017-2021	
Total MNA Receivables 28 Oct-21	**£12,823.94**			