

# **NEW ZEALAND RUGBY UNION**

**Financial Statements  
for the year ended 31 December 2022**

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# INCOME STATEMENT

for the year ended 31 December 2022

	NOTE	2022 \$000	2021 \$000
<b>Income</b>			
Broadcast rights		102,315	80,149
Sponsorship and licensing		113,270	72,658
Matchday		28,311	14,935
Other income		23,107	17,314
Interest income		2,182	460
Managed funds fair value gains		-	933
Foreign exchange gains		888	1,820
Gain on sale of investment		398	-
Equity accounted surplus of associates and joint ventures	D2	331	603
<b>Total income</b>	A1	<b>270,802</b>	<b>188,872</b>
<b>Expenditure</b>			
Game development		41,705	30,516
Teams in black		78,063	56,853
Competitions		136,746	80,687
Administration		15,477	13,087
Interest expense		2,634	1
Managed funds fair value loss		1,314	-
Equity accounted deficit of associates and joint ventures	D2	1,764	2,186
Short-term stakeholder payment	A3	37,000	-
Transaction costs	B12	1,594	-
Fair value loss on derivatives	B12	1,966	-
Income tax	A4	-	-
<b>Total expenditure</b>	A2	<b>318,263</b>	<b>183,330</b>
<b>Net (deficit)/surplus</b>		<b>(47,461)</b>	<b>5,542</b>
<b>Net (deficit)/surplus attributable to:</b>			
Stakeholders of the parent		(47,461)	5,542
		<b>(47,461)</b>	<b>5,542</b>

# COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2022

	NOTE	2022 \$000	2021 \$000
<b>Net (deficit)/surplus</b>		<b>(47,461)</b>	<b>5,542</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net gain/(loss) on cash flow hedges	B2	4,467	(5,772)
Net (loss)/gain on equity investments	B4	(837)	2,376
Net gain/(loss) arising from translation of foreign operations	B3	18	(38)
<b>Total comprehensive income</b>		<b>(43,813)</b>	<b>2,108</b>
<b>Total comprehensive income attributable to:</b>			
Stakeholders of the parent		(43,813)	2,108
		<b>(43,813)</b>	<b>2,108</b>

# BALANCE SHEET

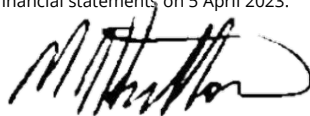
as at 31 December 2022

	NOTE	2022 \$000	2021 \$000
<b>Current assets</b>			
Cash and cash equivalents	B5	56,200	29,478
Term investments	B6	35,000	20,000
Trade and other receivables	B7	67,872	40,519
Prepayments		6,998	4,462
Loans and advances	B8	179	440
Player payment variation account	E3	-	3,519
Forward foreign exchange contracts	C1	2,801	1,315
Compound instrument - derivative forward	B12	4,227	-
<b>Total current assets</b>		<b>173,277</b>	<b>99,733</b>
<b>Non-current assets</b>			
Loans and advances	B8	1,114	1,253
Other investments	B11	25,879	29,675
Property, plant and equipment	E1	2,964	1,318
Intangible assets	E2	4,217	5,067
Investment in other entities	D2	2,821	4,237
Forward foreign exchange contracts	C1	5,295	1,251
<b>Total non-current assets</b>		<b>42,290</b>	<b>42,801</b>
<b>Total assets</b>		<b>215,567</b>	<b>142,534</b>
<b>Current liabilities</b>			
Trade and other payables	B9	20,422	8,818
Income in advance	B10	53,341	57,863
Benevolent and welfare fund	E3	1,545	1,356
Provision for medical costs	E3	804	854
Player payment variation account	E3	1,083	-
Forward foreign exchange contracts	C1	1,272	440
Provincial union funding variation ledger	E3	3,087	-
Provision for short term stakeholder payment	A3	6,742	-
<b>Total current liabilities</b>		<b>88,296</b>	<b>69,331</b>
<b>Non-current liabilities</b>			
Provision for medical costs	E3	3,655	3,447
Income in advance	B10	7,761	11,642
Compound instrument - host contract perpetual debt	B12	45,918	-
Compound instrument - holder call option derivative	B12	49,943	-
Forward foreign exchange contracts	C1	4,414	4,182
<b>Total non-current liabilities</b>		<b>111,691</b>	<b>19,271</b>
<b>Total liabilities</b>		<b>199,987</b>	<b>88,602</b>
<b>Net assets</b>		<b>15,580</b>	<b>53,932</b>
<b>Equity</b>			
Cash flow hedge reserve	B2	2,410	(2,057)
Foreign currency translation reserve	B3	(21)	(39)
Non-controlling interest	B12	5,461	-
Revaluation reserve - equity investments	B4	1,539	2,376
Retained earnings	B1	6,191	53,652
<b>Total equity</b>		<b>15,580</b>	<b>53,932</b>

For and on behalf of the Board who authorised the issue of the financial statements on 5 April 2023.



Dame Patsy Reddy, Chair



Mark Hutton, Chair - Risk, Investment and Audit Committee

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	NOTE	CASH FLOW HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	REVALUATION RESERVE - EQUITY INVESTMENTS \$000	NON- CONTROLLING INTEREST \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
<b>Balance as at 1 January 2021</b>		3,715	(1)	-	-	48,110	51,824
Net surplus for the 2021 year	B1	-	-	-	-	5,542	5,542
<b>Other comprehensive income</b>							
Movement in cash flow hedges	B2	(5,772)	-	-	-	-	(5,772)
Net gain on equity investments	B4	-	-	2,376	-	-	2,376
Exchange differences from translation of foreign operations	B3	-	(38)	-	-	-	(38)
<b>Total comprehensive income, net of tax</b>		<b>(5,772)</b>	<b>(38)</b>	<b>2,376</b>	<b>-</b>	<b>5,542</b>	<b>2,108</b>
<b>Balance as at 31 December 2021</b>		<b>(2,057)</b>	<b>(39)</b>	<b>2,376</b>	<b>-</b>	<b>53,652</b>	<b>53,932</b>
Net deficit for the 2022 year	B1	-	-	-	-	(47,461)	(47,461)
<b>Other comprehensive income</b>							
Movement in cash flow hedges	B2	4,467	-	-	-	-	4,467
Net loss on equity investments	B4	-	-	(837)	-	-	(837)
B partnership units issued	B12	-	-	-	5,461	-	5,461
Exchange differences from translation of foreign operations	B3	-	18	-	-	-	18
<b>Total comprehensive income, net of tax</b>		<b>4,467</b>	<b>18</b>	<b>(837)</b>	<b>5,461</b>	<b>(47,461)</b>	<b>(38,352)</b>
<b>Balance as at 31 December 2022</b>		<b>2,410</b>	<b>(21)</b>	<b>1,539</b>	<b>5,461</b>	<b>6,191</b>	<b>15,580</b>

# CASH FLOW STATEMENT

for the year ended 31 December 2022

	NOTE	2022 \$000	2021 \$000
<b>Operating activities</b>			
Receipts from broadcasting, sponsorship and licensing, and matchday		202,865	169,125
Interest income		1,633	439
Other income		23,107	17,314
Payments to suppliers and employees		(278,908)	(190,665)
Interest expense		(1,028)	-
<b>Operating cash flows</b>	B5	<b>(52,331)</b>	<b>(3,787)</b>
<b>Investing activities</b>			
Purchase of term investments		(75,000)	(85,000)
Maturity of term investments		60,000	85,000
Investment in associates		(17)	1,431
Loans and advances issued		(510)	(710)
Repayments of loans and advances		928	504
Proceeds from disposal of equity investments		870	-
Purchase of property, plant and equipment		(2,562)	(519)
Purchase of intangible assets		(34)	(144)
<b>Investing cash flows</b>		<b>(16,325)</b>	<b>562</b>
<b>Financing activities</b>			
Issue of partnership units	B12	100,000	-
Transaction costs on issue	B12	(5,788)	-
<b>Financing cash flows</b>		<b>94,212</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>25,556</b>	<b>(3,226)</b>
Effect of exchange rate change on foreign currency balances		1,166	313
Cash and cash equivalents at start of the year		29,478	32,391
<b>Cash and cash equivalents at end of the year</b>		<b>56,200</b>	<b>29,478</b>

## ABOUT THIS REPORT

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The notes to the financial statements include information that is considered relevant and material to assist the reader in understanding changes in New Zealand Rugby's financial position or performance. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
  - it is important for understanding the results of New Zealand Rugby;
  - it helps explain changes in New Zealand Rugby's business; or
  - it relates to an aspect of New Zealand Rugby's operations that is important to future performance.
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### REPORTING ENTITY

New Zealand Rugby Union Incorporated (New Zealand Rugby) is an incorporated society registered in New Zealand under the Incorporated Societies Act 1908. Its principal activity is to promote and administer the sport of rugby union in New Zealand. The registered office of New Zealand Rugby is Level 3, 100 Molesworth Street, Thorndon, Wellington, New Zealand.

These financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards) as appropriate for Tier 1 Not-For-Profit entities. New Zealand Rugby is a Tier 1 public benefit entity as its annual expenses are greater than \$30m;
- on the basis of historical cost, except for the revaluation of certain assets and liabilities;
- in New Zealand dollars, with all values rounded to thousands (\$000) unless otherwise stated; and
- using accounting policies provided throughout the notes to the financial statements.

### KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies and the application of accounting standards, New Zealand Rugby has made a number of judgements and estimates. The estimates and underlying assumptions are based on historical experience and various other matters that are considered to be appropriate under the circumstances. Actual results may differ from these estimates.

Judgements and estimates that are considered material to understand the performance of New Zealand Rugby are found in the following notes:

Note B12:	Accounting treatment of compound instrument and split of components recognised separately Valuation of the components of the compound instrument
Note E3:	Provision for medical costs

### OTHER ACCOUNTING POLICIES

#### Basis of consolidation

The Group financial statements comprise the financial statements of New Zealand Rugby Union Incorporated, its subsidiaries and investments in associates and joint ventures as contained in note D1 Subsidiaries and D2 Associates and Joint Ventures.

In preparing the Group financial statements, all material intra-group transactions, balances, income and expenses have been eliminated.

#### Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rates at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the rate prevailing at balance date 31 December 2022.

The assets and liabilities of international subsidiaries and joint ventures are translated to New Zealand dollars at the closing rate at balance date. The income and expenses of these subsidiaries and joint ventures are translated at rates approximating the exchange rates at the date of the transactions.

Exchange differences arising on the translation of subsidiary and associates financial statements are recorded in the foreign currency translation reserve (within equity). Cumulative translation differences are recognised in the Income Statement in the period in which any international subsidiary is disposed.

#### Good and services tax

Income, expenditure and assets and liabilities are recognised exclusive of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST, where invoiced.

#### Standards issued not yet effective

There are no standards that are issued, not yet effective, that will have a material impact on New Zealand Rugby's financial statements. All standards will be applied when they are effective.

#### New standards that are effective for the current year

PBE FRS 48 - Service Performance Reporting is effective from the current year. This requires disclosure of a Statement of Service Performance.

PBE IPSAS 41 - Financial Instruments is effective from the current year. Adopting this standard has had no material impact to the disclosures within these financial statements.

## A. FINANCIAL PERFORMANCE

This section explains the financial performance of New Zealand Rugby, providing additional information about individual items in the Income Statement, including:

- (a) accounting policies that are relevant for understanding items recognised in the Income Statement; and
- (b) analysis of New Zealand Rugby's performance for the year by reference to key areas including: income, expenditure and taxation.

### A1 INCOME

Broadcasting, sponsorship, and licensing income are recognised over the period of the contract as the benefits are supplied by New Zealand Rugby. Matchday income is recognised in the period of the event. Interest income is recognised on an accruals basis using the effective interest method.

Any income received where work has not been performed or contracted benefits not supplied by New Zealand Rugby is included in the Balance Sheet as a liability for income received in advance.

	NOTE	2022 \$000	2021 \$000
<b>Income from operations comprises of the following items</b>			
Income from broadcasting, sponsorship and licensing, matchday *		243,896	167,742
<b>Other income</b>			
Income from New Zealand wage subsidy *	A1	-	2,069
Income from government grants *	A1	18,698	13,015
Income from gaming trusts *	A1	-	6
Other income *		4,409	2,223
		<b>23,107</b>	<b>17,314</b>
<b>Interest income</b>			
Bank deposits interest		2,173	437
Provincial unions interest		9	23
		<b>2,182</b>	<b>460</b>
Managed funds fair value gains		-	933
Foreign exchange gains		888	1,820
Gain on sale of investment		398	-
Equity accounted profit of associates and joint ventures		331	603
<b>Total income</b>		<b>270,802</b>	<b>188,872</b>

\* These balances include non-exchange income which is shown in more detail in the table below.

The table below separates income between exchange and non-exchange income. Exchange income is whereby New Zealand Rugby receives income for services, and gives approximately equal value to another entity in exchange. Non-exchange income is where New Zealand Rugby receives value from another entity without giving approximately equal value in exchange.

	2022 \$000	2021 \$000
Exchange income	252,108	171,522
<b>Non-exchange income</b>		
Sponsorship and licensing	-	1,330
Matchday	-	50
Ministry of Social Development (Wage Subsidy)	-	2,069
Other income and grants	18,694	13,900
<b>Total non-exchange income</b>	<b>18,694</b>	<b>17,349</b>
<b>Total income</b>	<b>270,802</b>	<b>188,872</b>

## Income from government and gaming trust grants

Government and gaming trust grant income is recognised when the conditions of those grants are met.

	2022	2021
	\$000	\$000
<b>New Zealand wage subsidy</b>		
Ministry of Social Development	-	2,069
<b>Total income from New Zealand wage subsidy</b>		<b>2,069</b>

As part of the New Zealand Government response to COVID-19, New Zealand Rugby received Government wage subsidy grants in 2021 of \$2.1m. Based on criteria and ability to claim this covered 8 weeks worth of wage subsidies. No wage subsidy was claimed in 2022.

	2022	2021
	\$000	\$000
<b>GOVERNMENT AND GAMING TRUST GRANTS</b>		
Accident Compensation Corporation	1,781	2,062
High Performance Sport New Zealand	2,215	6,040
Ministry of Business, Innovation and Employment	3,862	1,135
Ministry of Foreign Affairs and Trade	714	639
Sport New Zealand	10,126	3,082
Te Puni Kokiri	-	57
<b>Total income from Government grants</b>	<b>18,698</b>	<b>13,015</b>
<b>Total Government grants and wage subsidy</b>	<b>18,698</b>	<b>15,085</b>

### Gaming trust grants

New Zealand Community Trust	-	6
<b>Total income from gaming trust grants</b>	<b>-</b>	<b>6</b>

## A2 EXPENDITURE

	NOTE	2022	2021
		\$000	\$000
<b>Expenditure from operations comprises of the following items</b>			
Expenditure from operating activities		145,694	80,909
<b>Finance costs</b>			
Bank interest		21	1
Coupon interest		1,696	-
Amortisation of compound instrument	B12	917	-
		2,634	1
Net movement in doubtful debts provision	B7	340	-
Write-off to bad debts	B7	-	-
Movement in provision for medical costs	E3	139	98
Depreciation of property, plant and equipment	E1	916	680
Amortisation of intangible assets	E2	884	1,326
Operating lease rental expenses		1,521	1,558
Employee benefits		116,279	94,205
Defined contribution plan expenses		6,218	2,367
Managed funds fair value losses		1,314	-
Short-term stakeholder payment	A3	37,000	-
Transaction costs	B12	1,594	-
Fair value loss on derivatives	B12	1,966	-
Equity accounted loss of associates and joint ventures	D2	1,764	2,186
<b>Total expenditure</b>		<b>318,263</b>	<b>183,330</b>

New Zealand Rugby significantly increased expenditure in 2022, as a result of the capital raise and creation of NZR Commercial LP (refer to note D1). Employee benefits continued to grow in line with headcount in the new entity as well as the re-establishment of the player super scheme which caused an uplift in defined contribution plan expenses in the year.

## Provincial Union Funding

Included in expenditure from operating activities is Provincial Union Funding. New Zealand Rugby provides various forms of funding to Provincial Unions for Game development, Competitions and other initiatives. Provincial Union Funding is recognised when paid or when a liability arises.

	2022	2021
	\$000	\$000
<b>PROVINCIAL UNION</b>		
<b>Bunnings Warehouse NPC Provincial Unions</b>		
Auckland	2,932	2,960
Bay of Plenty	2,225	1,989
Canterbury	2,667	2,290
Counties Manukau	1,832	2,134
Hawke's Bay	1,789	1,604
Manawatu	1,688	1,552
North Harbour	2,074	1,975
Northland	1,910	1,851
Otago	1,929	1,665
Southland	1,589	1,369
Taranaki	1,836	1,698
Tasman	1,778	1,945
Waikato	2,302	2,020
Wellington	2,190	2,013
<b>Total Bunnings Warehouse NPC Provincial Union funding</b>	<b>28,741</b>	<b>27,065</b>
	2022	2021
	\$000	\$000
<b>PROVINCIAL UNION</b>		
<b>Bunnings Warehouse Heartland Championship Provincial Unions</b>		
Buller	382	325
East Coast	379	303
Horowhenua Kapiti	645	535
King Country	539	475
Mid Canterbury	499	413
North Otago	403	359
Poverty Bay	517	428
South Canterbury	520	457
Thames Valley	520	447
Wairarapa Bush	522	419
Wanganui	526	449
West Coast	382	326
<b>Total Bunnings Warehouse Heartland Championship Provincial Union funding</b>	<b>5,834</b>	<b>4,936</b>
<b>Total Provincial Union funding</b>	<b>34,575</b>	<b>32,001</b>

## Super Rugby Club Funding

Included in expenditure from operating activities is funding to Super Rugby Clubs. New Zealand Rugby provides funding to Super Rugby Clubs for competition and professional development initiatives. Funding is recognised as paid or when a liability arises.

	2022	2021
	\$000	\$000
<b>SUPER RUGBY CLUB</b>		
Blues	903	396
Chiefs	759	603
Crusaders	462	310
Highlanders	454	377
Hurricanes	413	310
<b>Total Super Rugby club funding</b>	<b>2,991</b>	<b>1,996</b>



## Associate Member Funding

Included in expenditure from operating activities is funding to Associate Members. New Zealand Rugby provides funding to Associate Members which is recognised when paid or when a liability arises.

	2022	2021
	\$000	\$000
<b>ASSOCIATE MEMBER</b>		
New Zealand Deaf Rugby Football Union	15	15
New Zealand Rugby Foundation	400	400
New Zealand Schools Rugby Council	156	105
New Zealand Universities Rugby Football Council	18	-
Rugby Museum Society of New Zealand	40	35
<b>Total Associate Member funding</b>	<b>629</b>	<b>555</b>

## A3 SHORT-TERM STAKEHOLDER PAYMENT

The Short Term Stakeholder Investment (SSI) is a contribution to members and rugby stakeholders to reflect their importance and value to the game. New Zealand Rugby have agreed to provide \$37m to stakeholders to support growth in the game at community and professional levels.

	2022	2021
	\$000	\$000
<b>PROVISION FOR SHORT TERM STAKEHOLDER INVESTMENT</b>		
<b>Short term stakeholder investment fund at the start of the year</b>	-	-
New Zealand Rugby contribution to the SSI fund	37,000	-
Payments from the fund to stakeholders	(30,258)	-
<b>Short term stakeholder investment fund at the end of the year</b>	<b>6,742</b>	<b>-</b>

## A4 TAXATION

New Zealand Rugby is exempt from income tax as a promoter of amateur sport under section CW 46 of the Income Tax Act 2007. A subsidiary of the Group, New Zealand Rugby Promotions Limited is subject to income tax. NZR Commercial LP (refer to note D1) is a flow through entity for tax purposes. The taxable profits and losses from the NZR Commercial LP are attributed directly to the limited partners and therefore no current or deferred income tax has been recognised in the Limited Partnership.

For Subsidiaries, Associates and Joint Ventures:

- Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).
- Deferred tax is accounted for using the comprehensive Balance Sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.
- Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

	2022	2021
	\$000	\$000
<b>INCOME TAX EXPENSE</b>		
(Deficit)/surplus before income tax	(47,461)	5,542
Prima facie tax @ 28%	(13,289)	1,552
Tax effect of permanent differences (exempt activities)	13,289	(1,552)
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The Group has accumulated tax losses of \$5.225m (2021: \$5.225m) available to be carried forward and offset against future assessable income. The \$1.463m (2021: \$1.463m) future tax benefit of these losses has not been recognised as it is not probable that they will be realised. There was no tax effect of other temporary differences on the 2022 result (2021: nil).

## B. MANAGING FUNDING

This section explains New Zealand Rugby's reserves and working capital.

In this section there is information about:

- (a) equity and reserves and retained earnings;
- (b) cash and cash equivalents, term deposits and other investments;
- (c) cash from operating activities;
- (d) loans and advances; and
- (e) receivables and payables.

### B1 RETAINED EARNINGS

	2022	2021
	\$000	\$000
<b>RETAINED EARNINGS</b>		
Balance at the start of the year	53,652	48,110
(Deficit)/surplus for the year attributable to the stakeholder's of the parent	(47,461)	5,542
<b>Retained earnings</b>	<b>6,191</b>	<b>53,652</b>

### B2 CASH FLOW HEDGE RESERVE

The cash flow hedge reserve represents the unrealised variance between the contracted rate and the market rate of unexpired foreign currency forward contracts designated as hedges as at 31 December 2022.

	2022	2021
	\$000	\$000
<b>CASH FLOW HEDGE RESERVE</b>		
Balance at the start of the year	(2,057)	3,715
Gains/(losses) on cash flow hedges taken to equity	4,197	(3,511)
Transfers from/(to) profit or loss for the period	270	(2,261)
<b>Cash flow hedge reserve</b>	<b>2,410</b>	<b>(2,057)</b>

### B3 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences arising on the translation of associate financial statements are recorded in the foreign currency translation reserve (within equity).

	2022	2021
	\$000	\$000
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Balance at the start of the year	(39)	(1)
Gains/(losses) arising from translation of foreign operations	18	(38)
<b>Foreign currency translation reserve</b>	<b>(21)</b>	<b>(39)</b>

### B4 REVALUATION RESERVE - EQUITY INVESTMENTS

The revaluation reserve - equity investments comprises the cumulative net movement in the fair value of the equity investment.

		2022	2021
		\$000	\$000
<b>REVALUATION RESERVE - EQUITY INVESTMENTS</b>	<b>NOTE</b>		
Balance at the start of the year		2,376	-
(Losses)/gains on equity investments taken to equity	B11	(837)	2,376
<b>Revaluation Reserve - Equity Investments</b>		<b>1,539</b>	<b>2,376</b>

## B5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are made up of cash on hand, on demand deposits and other short-term deposits with original maturities of less than three months.

	2022	2021
	\$000	\$000
<b>CASH AND CASH EQUIVALENTS</b>		
Current and money market accounts	56,200	29,478
Short-term bank term deposits	-	-
<b>Total cash and cash equivalents</b>	<b>56,200</b>	<b>29,478</b>
<b>RECONCILIATION OF NET (DEFICIT)/SURPLUS AFTER TAX TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	2022	2021
	\$000	\$000
<b>Net (Deficit)/surplus</b>	<b>(47,461)</b>	<b>5,542</b>
<i>Adjustments for operating activities non-cash items</i>		
Depreciation and amortisation	2,717	2,006
Doubtful debts provision movement	340	-
Share of associates and joint ventures losses	1,433	1,583
Fair value movement in managed funds	1,314	(918)
Fair value loss on derivative	1,965	-
	<b>7,769</b>	<b>2,671</b>
<i>Changes in working capital items</i>		
(Increase)/decrease in trade and other receivables	(26,923)	25,770
Increase in prepayments	(2,536)	(1,883)
Increase/(decrease) in trade and other payables	11,604	(8,521)
Increase/(decrease) in provisions and player payment and provincial union variation accounts	14,778	(7,797)
Increase in income in advance	(8,405)	(19,638)
	<b>(11,482)</b>	<b>(12,069)</b>
Effect of exchange rate change on foreign currency balances	(1,157)	69
<b>Cash flow from operating activities</b>	<b>(52,331)</b>	<b>(3,787)</b>

Cash flows are inflows and outflows of cash and cash equivalents. Operating activities are the principal income producing activities of New Zealand Rugby. Investing activities are the acquisition and disposal of long-term assets or other investments not included in cash.

## B6 TERM INVESTMENTS

Term investments are made up of bank deposits with a maturity of greater than three months. Term investments are not subject to a significant risk of change in value.

	2022	2021
	\$000	\$000
<b>TERM INVESTMENTS</b>		
Short-term bank term deposits	35,000	20,000
<b>Total term investments</b>	<b>35,000</b>	<b>20,000</b>

## B7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any Expected Credit Loss allowance. An allowance of \$0.34m has been made for estimated unrecoverable trade receivables (2021: nil).

Included in trade receivables are debtors with a carrying value of \$2.57m (2021: \$6.29m) which are past due at 31 December which have not been provided for as there has not been any significant change in the credit quality and the amounts are still considered recoverable.

No trade receivables were written off during the year (2021: nil).

	2022	2021
	\$000	\$000
<b>TRADE AND OTHER RECEIVABLES</b>		
Trade receivables *	47,983	34,636
Accrued income	20,229	5,443
Less: Expected credit losses	(340)	-
<b>Total trade receivables</b>	<b>67,872</b>	<b>40,079</b>
Goods and services tax (GST) receivable	-	440
<b>Total trade and other receivables</b>	<b>67,872</b>	<b>40,519</b>
<i>Current</i>	67,872	40,519
<i>Non-current</i>	-	-
<b>MOVEMENT IN EXPECTED CREDIT LOSSES</b>		
Opening provision	-	-
Provision (created) /reversed during the year	(340)	-
Write-offs to bad debts during the year	-	-
<b>Closing expected credit losses</b>	<b>(340)</b>	<b>-</b>
<b>AGING OF PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES</b>		
30 - 60 days	774	3,605
61 - 90 days	793	1,631
91+ days	1,006	1,055
<b>Total past due but not impaired trade receivables</b>	<b>2,573</b>	<b>6,291</b>

\* No trade receivables are from non-exchange income (2021: nil).

## B8 LOANS AND ADVANCES

Loan and advances are measured at cost less impairment. Allowances for estimated unrecoverable amounts are recognised in the Income Statement when there is objective evidence that the loan is impaired. No allowance has been made for estimated unrecoverable loans and advances as at 31 December 2022 (2021: nil).

	2022	2021
	\$000	\$000
<b>LOANS AND ADVANCES</b>		
<b>Current loans</b>		
Provincial Unions	-	270
Other	179	170
<b>Total current loans and advances</b>	<b>179</b>	<b>440</b>
<b>Non-current loans</b>		
All Blacks Experience	1,114	710
Provincial Unions	-	543
<b>Total non-current loans and advances</b>	<b>1,114</b>	<b>1,253</b>
<b>Total loans and advances</b>	<b>1,293</b>	<b>1,693</b>

New Zealand Rugby received \$813,000 (2021: \$229,575) of loan repayments and provided no further loans to Provincial Unions during the year (2021: \$0). Interest of \$8,521 (2021: \$23,108) was charged on all loans to Provincial Unions prior to their repayment.

An additional loan was provided to All Blacks Experience in the year to assist the cashflow of the business at 0% interest. The loan is tested annually for impairment.

## B9 TRADE AND OTHER PAYABLES

Trade payables and other payables are recognised when New Zealand Rugby becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, trade payables and other payables are recorded at amortised cost.

	2022	2021
	\$000	\$000
<b>TRADE AND OTHER PAYABLES</b>		
Trade payables	2,310	2,592
Employee entitlements	4,272	3,526
Goods and services tax (GST) payable	2,297	-
Other payables and accruals	11,543	2,700
<b>Total trade and other payables</b>	<b>20,422</b>	<b>8,818</b>

\* There are no trade and other payables from non-exchange income (2021: nil).

## B10 INCOME IN ADVANCE

Income in advance is recognised for any income received or due where work has not been performed or contracted benefits not supplied by New Zealand Rugby.

	2022	2021
	\$000	\$000
<b>INCOME IN ADVANCE</b>		
<b>Income in Advance relating to</b>		
Broadcasting, sponsorship and licensing, matchday	41,924	44,177
Government grants*	1,662	7,073
Rugby World Cup 2023 competition funding grants from World Rugby	14,661	14,661
Other income*	2,855	3,594
<b>Total income in advance</b>	<b>61,102</b>	<b>69,505</b>
<i>Current</i>	53,341	57,863
<i>Non-current</i>	7,761	11,642

\*Included in income in advance are receivables from non-exchange income of \$1.747m (2021: \$7.259m).

## B11 OTHER INVESTMENTS

	Fair value at 31 December 2022	Fair value at 31 December 2021
	\$000	\$000
<b>OTHER INVESTMENTS</b>		
<b>Non-current investments</b>		
Equity securities - at fair value through other comprehensive income	4,179	6,661
Managed funds - designated at fair value through profit or loss	21,700	23,014
<b>Total other investments</b>	<b>25,879</b>	<b>29,675</b>

### Equity securities

In 2019, New Zealand Rugby obtained a 5% shareholding in Sky Network Television Ltd as part of a strategic alignment deal agreed between the two parties. The Group has classified the investment as available-for-sale financial assets which are required to be carried at fair value through other comprehensive income. These equity securities have been classified as such as they represent investments that the Group intends to hold for the long term, with no current plan for short-term selling or profit-taking. The investment was recognised on 1 November 2019 at an acquisition fair value of \$19.4m. An amount of \$3.8m has been recognised in income in advance and classified as current for the amounts that will be recognised as income in 2023.

The fair value loss recognised in other comprehensive income for the period was \$0.8m (2021: \$2.37m). Sky Network Television Limited (Sky) completed a capital return in the year. As a result, one ordinary share for every six ordinary shares held was cancelled for a price of NZ\$2.40 per share.

### Managed funds

New Zealand Rugby has invested into Managed Investments Funds as a way to maximise return from available cash balances held during the year. The Group has designated the investment as fair value through profit and loss. This designation aligns with the Group's Statement of Investment Policy and Objectives ("SIPO"). Return objectives in the SIPO include measurement of investment performance against OCR, consistent with interest returns on cash and term deposit balances recognised through profit and loss.

## B12 COMPOUND INSTRUMENTS

COMPONENTS	Amortised cost	Fair value				TOTAL
	Host contract perpetual debt	Holder call option derivative	Derivative asset forward	Issuer put option	Non-controlling interest	
	\$000	\$000	\$000	\$000	\$000	
Initial recognition at fair value (30 June 2022)	50,500	43,750	-	-	5,750	100,000
Transaction costs	(5,499)	-	-	-	(289)	(5,788)
Change in fair value	-	6,193	(4,227)	-	-	1,966
Amortisation	917	-	-	-	-	917
<b>Total compound instruments</b>	<b>45,918</b>	<b>49,943</b>	<b>(4,227)</b>	<b>-</b>	<b>5,461</b>	<b>97,095</b>

Instrument	Tranche	Denomination currency	Face value \$'000	Coupon rate %	Issue date
Convertible partnership units	1	NZD	100,000	4%	30-Jun-22

The B partnership units are classified as compound instruments with both a liability/debt component and an equity component. These instruments also contain embedded derivatives for the conversion options held by the holder and issuer. The B partnership units are convertible into equity by the holder after 3 years or earlier if there is an Initial Public Offering or Asset sale at a predetermined rate. NZ Rugby may also cause the conversion of the B partnership units into equity but at a variable rate.

The B partnership units have a host contract that is a debt instrument being a perpetual debt instrument with a fixed rate of interest of 4%, while the options to convert are embedded derivatives that are not closely related and are therefore separated from the contract for accounting purposes. B partnership units are entitled to a 4% coupon but don't share in the profits until either option is exercised, at which stage they share in the profit of NZR Commercial LP.

On initial recognition a compound hybrid debt instrument is valued as follows:

- First the fair value of the entire compound convertible instrument is determined;
- Secondly the fair value of the embedded derivative is determined; and
- the fair value of the liability/debt component is assessed. The sum of the embedded derivatives and the liability components are then deducted from the fair value of the entire compound instrument. The remaining balance represents an equity component.

The host debt instrument is subsequently measured at amortised cost using the effective interest method. The equity component is not remeasured. Interest related to the financial liability is recognised in profit or loss. On conversion by either the holder or issuer, the financial liability is reclassified to equity and no gain or loss is recognised.

The embedded derivatives are measured subsequently at fair value through profit or loss.

### Tranche 2 and 3: Obligation to issue additional compound instruments

Under the Limited Partnership Agreement NZR Commercial LP has an obligation to issue additional B partnership units (\$100m + \$62.5m further noted as 'tranche 2 and 3') after the initial issue of 100m B partnership units. These units are issued after the inception of the agreement at a fixed price of \$1 per unit based on the business valuation of \$3.5bn as at 30 June 2022.

- At inception, given the agreement has been negotiated at arm's length, the fair value of the obligation to issue additional B units is nil.
- However, this obligation as a derivative and its fair value will be assessed as at each reporting date with any changes in value taken to profit and loss.

### **Significant estimates and judgements - compound instruments**

There are a number of significant judgements in respect of the convertible instrument that have an impact on the accounting treatment. Specifically determining that the instrument is a compound instrument – that is it contains a liability component (being the perpetual debt feature), embedded derivatives and an equity component (which in this case is the benefit attributable largely to the below market interest rate on the perpetual debt and which is viewed in substance as a contribution by an owner for the additional equity-like rights (such as voting) over-and-above what a bond-holder or option-holder would normally have).

In addition there are a number of key estimates made in accounting for the compound instrument:

- the initial valuation of the perpetual debt: The perpetual debt is valued initially at fair value by estimating a market rate of interest that would normally be required by a debt provider for a loan of similar term and credit risk.
- valuation of the embedded derivatives: The call option has been modelled using a binomial option pricing model, which estimates a fair value based on an expected distribution of stock prices over time. The put option held by NZ Rugby has been assessed as having nil value at inception given there is negligible value in exercising the option.
- valuation of the obligation to issue additional B units at a fixed price (forward – tranche 2 and tranche 3): this component is a derivative and is valued using the same valuation methodology as outlined above. At 30 June 2022 it was assessed that these tranches had a fair value of nil and a fair value of \$4.22m (derivative asset) at 31 December 2022.

### **Transaction costs**

Transaction costs are included in the initial measurement of financial assets and financial liabilities, except for those measured at fair value through profit and loss and trade receivables initially measured at the transaction price. Transaction costs include only those costs that are directly attributable to the acquisition or origination of a financial asset or issue of a financial liability. They are incremental costs that would not have been incurred if the instrument had not been acquired, originated or issued – e.g. fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties, credit assessment fees, registration charges and similar costs.

Transaction costs that relate to the issue of a compound instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds. For compound instruments with embedded derivatives, the group has elected to allocate transaction costs on the liability component wholly to the host contract (perpetual debt). The directly attributable transaction costs have been allocated as follows:

- to the perpetual debt portion which are deducted from the carrying value of the host contract (liability) (\$5.499m);
- to the equity portion which are deducted from equity (\$0.289m).

These transaction costs are effectively amortised over the period to the estimated conversion date. The total value of the amortisation of transaction costs allocated to the instrument for the 6 months to 31 December 2022 is \$0.917m.

## C. FINANCIAL INSTRUMENTS USED TO MANAGE RISK

This section explains the financial risks New Zealand Rugby faces, how these risks affect New Zealand Rugby's financial position and performance and how New Zealand Rugby manages these risks. In this section of the notes there is information:

- (a) outlining New Zealand Rugby's approach to financial risk management; and
- (b) analysing financial (hedging) instruments used to manage risk.

### C1 FINANCIAL RISK MANAGEMENT

New Zealand Rugby's activities expose it to a variety of financial risks, primarily risk of unfavourable movements in foreign currency exchange rates and interest rates. The Board approves policies, including foreign exchange and investment policies, that set appropriate principles and risk tolerance levels to guide Management in carrying out financial risk management activities to minimise potential adverse effects on the financial performance and position of New Zealand Rugby. Compliance with policies and exposure limits are reviewed on a regular basis. New Zealand Rugby does not enter into or trade financial instruments for speculative purposes.

#### Foreign currency risk management

The Group is exposed to foreign currency risk primarily due to receiving income from broadcasting, sponsorship and licensing and matchday denominated in foreign currencies (primarily United States dollars, Euros, British pounds, Japanese yen and Australian dollars). The exposure is managed with foreign currency forward exchange contracts that hedge the known foreign currency exposure.

The Group's risk management policy is to hedge 90% to 100% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk.

The Group designates these contracts as cash flow hedges and applies a hedge ratio of 1:1. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

	2022	2021
	\$000	\$000
<b>FORWARD FOREIGN EXCHANGE CONTRACTS FAIR VALUE</b>		
<b>Assets</b>		
Current foreign currency forward contracts	2,801	1,315
Non-current foreign currency forward contracts	5,295	1,251
<b>Total assets</b>	<b>8,096</b>	<b>2,566</b>
<b>Liabilities</b>		
Current foreign currency forward contracts	1,272	440
Non-current foreign currency forward contracts	4,414	4,182
<b>Total liabilities</b>	<b>5,686</b>	<b>4,622</b>
<b>Total fair value of forward foreign exchange contracts</b>	<b>2,410</b>	<b>(2,056)</b>

OUTSTANDING CONTRACTS	FORWARD FOREIGN EXCHANGE CONTRACTS							
	AVERAGE FORWARD EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2022	2021	2022 FC'000	2021 FC'000	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Sell US dollar</b>								
< 2 years	0.6737	0.6972	22,832	17,480	33,891	25,071	(2,063)	(736)
2 - 5 years	0.6608	0.6830	33,917	23,920	51,328	35,023	(3,047)	(1,444)
5+ years	-	0.6735	-	7,728	-	11,474	-	(623)
<b>Sell Euro</b>								
< 2 years	0.5673	0.5725	61,182	51,156	107,855	89,378	2,724	2,466
2 - 5 years	0.5328	0.5529	66,067	48,528	124,004	87,813	3,654	(1,007)
5+ years	-	0.5253	-	10,868	-	20,689	-	(439)
<b>Sell British pound</b>								
< 2 years	0.5140	0.5128	3,297	1,998	6,416	3,895	96	(93)
2 - 5 years	-	0.5072	-	940	-	1,853	-	(61)
<b>Sell Japanese Yen</b>								
< 2 years	74.96	76.9179	850,000	722,500	11,340	9,394	679	66
2 - 5 years	69.39	72.5975	1,275,000	935,000	18,373	12,886	299	(121)
5+ years	-	68.4408	-	212,500	-	3,105	-	(64)
<b>Sell Australian dollar</b>								
< 2 years	0.9053	-	3,341	-	3,690	-	58	-
2 - 5 years	0.9061	-	1,737	-	1,917	-	10	-
<b>Total forward foreign exchange contracts</b>					<b>358,814</b>	<b>300,581</b>	<b>2,410</b>	<b>(2,056)</b>



## Interest rate risk management

The Group adopts a policy of ensuring that between 80 and 90% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

## Liquidity risk

The following table details New Zealand Rugby's exposure to interest rate and liquidity risk. This table is based on an analysis of the contractual undiscounted cash flows based on maturity dates.

MATURITY PROFILE	2022 \$'000					TOTAL \$'000
	WEIGHTED AVERAGE EFFECTIVE INTEREST %	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	
<b>Financial assets</b>						
Cash and cash equivalents	3.41%	58,140	-	-	-	58,140
Term investments	3.37%	36,181	-	-	-	36,181
Managed Funds		-	-	25,124	-	25,124
Trade and other receivables		67,872	-	-	-	67,872
Loans and advances	5.11%	190	354	1,126	-	1,670
Forward foreign exchange contracts		2,839	1,310	4,968	-	9,117
<b>Total financial assets</b>		<b>165,222</b>	<b>1,664</b>	<b>31,218</b>	<b>-</b>	<b>198,104</b>
<b>Financial liabilities</b>						
Trade and other payables		20,422	-	-	-	20,422
Benevolent and welfare fund	3.95%	1,606	-	-	-	1,606
Player payment variation account		1,082	-	-	-	1,082
Provincial union variation account		3,087	-	-	-	3,087
Provision for SSI		6,742	-	-	-	6,742
Coupon interest on perpetual debt*	4.00%	4,000	8,000	12,000	*	24,000
Forward foreign exchange contracts		1,290	1,331	3,746	-	6,367
<b>Total financial liabilities</b>		<b>38,229</b>	<b>9,331</b>	<b>15,746</b>	<b>-</b>	<b>63,306</b>

\*The coupon interest of 4% per annum is charged in perpetuity, until an option is exercised and the instrument is converted.

MATURITY PROFILE	2021 \$'000					TOTAL \$'000
	WEIGHTED AVERAGE EFFECTIVE INTEREST %	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	
<b>Financial assets</b>						
Cash and cash equivalents	0.31%	29,570	-	-	-	29,570
Term investments	1.43%	20,285	-	-	-	20,285
Managed Funds		-	-	25,273	-	25,273
Trade and other receivables		40,519	-	-	-	40,519
Loans and advances	3.88%	456	194	1,306	-	1,956
Player payment variation account		3,519	-	-	-	3,519
Financial instruments		1,317	1,276	-	-	2,594
<b>Total financial assets</b>		<b>95,667</b>	<b>1,470</b>	<b>26,580</b>	<b>-</b>	<b>123,716</b>
<b>Financial liabilities</b>						
Trade and other payables		8,818	-	-	-	8,818
Benevolent and welfare fund	0.45%	1,362	-	-	-	1,362
Financial instruments		442	433	2,871	1,292	5,038
<b>Total financial liabilities</b>		<b>10,622</b>	<b>433</b>	<b>2,871</b>	<b>1,292</b>	<b>15,218</b>

## Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to New Zealand Rugby. Financial instruments which potentially subject New Zealand Rugby to credit risk consist principally of bank balances, accounts receivable, other receivables, loans and advances, managed funds, other financial assets and financial instruments. New Zealand Rugby has a credit policy which is used to manage its exposure to credit risk. Reputable financial institutions are used for investing and cash handling purposes. No collateral is required on these financial instruments. The maximum credit risk exposure equates to the Balance Sheet position.

## Liquidity risk management

Liquidity risk is the risk that New Zealand Rugby may not be able to meet its financial obligations as they fall due. New Zealand Rugby manages this risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows matching the maturity profiles of financial assets and liabilities.

## Capital risk management

New Zealand Rugby manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure comprises of reserves, retained earnings and investment through a convertible instrument including debt and equity components (refer note B12), this includes cash and other financial instruments. The Board reviews the capital structure annually whilst updating New Zealand Rugby's Investment Policy.

## Market risk management

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect New Zealand Rugby's income or value of its holdings in managed funds and equity investments. For managed funds this risk is limited through appropriate diversification and allocation between asset classes by external fund managers.

### *Sensitivity analysis - Equity price risk*

The equity investment in Sky NZ held by New Zealand Rugby is listed on the New Zealand Stock Exchange. For this investment, a 10% change in the share price as at the reporting date would result in a change in equity of \$418,000 (2021: \$588,000).

## C2 FINANCIAL INSTRUMENTS

### Financial instrument recognition

#### *Recognition and initial measurement*

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

#### *Classification and subsequent measurement*

##### *Financial Assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit and loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its management model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- it is held within a management model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- it is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the NZ Rugby may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Financial liabilities - classification, subsequent measurement and gains and loss*

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. If the Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## Cash flow hedge

New Zealand Rugby designates or classifies financial hedging instruments as cash flow hedges which are hedges of a particular cash flow associated with a recognised asset or liability or a highly probable forecast transaction.

Hedging instruments are initially recognised at fair value on the date the contracts are agreed and are subsequently re-measured to their fair value at each reporting date.

Changes in fair value of hedges that are designated and qualify as cash flow hedges and are considered effective for accounting purposes are recognised in the cash flow hedge reserve (equity) and in other comprehensive income in net gain on cash flow hedges. The gain or loss relating to any ineffective element is recognised immediately in the Income Statement in foreign exchange gains.

Amounts accumulated in other comprehensive income are released in the Income Statement in the periods when the forecast transactions take place.

### *Derivative financial instruments and hedge accounting*

The Group holds derivative financial instruments to hedge its foreign currency exposures. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedge item and the hedging instrument, including whether the changes in cashflows of the hedged item and hedging instrument are expected to offset each other.

### *Cash flow hedges*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the forward element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

## Fair value of hedging financial instruments

The recognition and measurement of hedging financial instruments requires management estimation and judgement.

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The fair value hierarchy is:

- **Level 1 inputs:** Derived from quoted prices in active markets for identical assets or liabilities.
- **Level 2 inputs:** Either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable inputs other than quoted prices included in Level 1.
- **Level 3 inputs:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments recognised on New Zealand Rugby's Balance Sheet at fair value have been valued within Level 2 of the valuation methodology hierarchy except for the Equity Investments which are valued within Level 1 and the compound instrument as Level 3 - as the inputs for derivatives aren't based purely on observable market data/inputs. There have been no transfers between the fair value hierarchy during the year ended 31 December 2022 (2021: nil).

## Foreign currency monetary assets and liabilities

New Zealand Rugby held the following New Zealand dollar equivalent monetary assets and liabilities which are denominated in foreign currencies at balance date:

	2022	2021
	\$000	\$000
<b>MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>		
<b>Assets</b>		
United States Dollars	16,224	12,093
Euros	21,473	16,016
British Pounds	1,480	2,065
Australian Dollars	1,734	2,025
South African Rand	626	468
Canadian Dollars	89	-
Japanese Yen	4,238	3,255
<b>Total monetary assets denominated in foreign currency</b>	<b>45,864</b>	<b>35,923</b>
<b>Liabilities</b>		
United States Dollars	8,744	7,319
Euros	16,054	13,432
British Pounds	1,393	678
Australian Dollars	-	4
South African Rand	536	-
Japanese Yen	3,397	-
<b>Total monetary liabilities denominated in foreign currency</b>	<b>30,124</b>	<b>21,433</b>

## Sensitivity analysis

A sensitivity analysis has been performed based upon the financial instrument balances as classified in the maturity profile table. The sensitivity analysis calculates the impact on New Zealand Rugby's reported profit or loss and equity if there was a deviation in either the interest rate by +/- 100 basis points or the exchange rate by +/- 10%.

		INTEREST RATE			EXCHANGE RATE	
		2022	2021		2022	2021
	SENSITIVITY	\$000	\$000	SENSITIVITY	\$000	\$000
Impact on profit	+/- 100 bps	904	423	+/- 10%	1,590	3,549
Impact on equity	+/- 100 bps	904	423	+/- 10%	33,802	32,386

## D. GROUP STRUCTURE

This section provides information to help readers understand the New Zealand Rugby Group structure and how it affects the financial position and performance of the Group. In this section there is information about:

- (a) subsidiaries; and
- (b) investments in associates, joint ventures and joint operations.

### D1 SUBSIDIARIES

The consolidated financial statements include the financial statements of New Zealand Rugby Union Incorporated and the subsidiaries listed below. Subsidiaries are entities controlled, directly or indirectly, by New Zealand Rugby.

NAME OF ENTITY	COUNTRY OF INCORPORATION	INTEREST HELD	
		2022	2021
<b>New Zealand Rugby Union Incorporated</b>			
New Zealand Rugby Promotions Limited	New Zealand	100%	100%
New Zealand Rugby Commercial LP	New Zealand	100%	0%
New Zealand Rugby Commercial GP	New Zealand	100%	0%
Computerised Match Ticketing Limited	New Zealand	100%	100%

#### Establishment of Subsidiary Entity

During the year ended 31 December 2022, a subsidiary entity, New Zealand Rugby Commercial LP (NZR Commercial LP) was established to separate and operate the commercial activities of New Zealand Rugby Union Incorporated (New Zealand Rugby) on a stand-alone basis to leverage and expand the New Zealand Rugby brand. The business and affairs of NZR Commercial LP are managed by the NZR Commercial LP General Partner (NZR Commercial GP), a company incorporated for this purpose.

In contemplation of the above, Silver Lake, a Private Equity Investor, was selected by the New Zealand Rugby Board as the preferred partner to invest capital into the New Zealand Rugby brand against criteria of both capital and capability. Silver Lake have subscribed commitment capital of \$200m in B1 LPUs, of which \$100m was drawn down as at 1 July 2022 with the additional \$100m scheduled to be drawn down on 1 July 2023 (refer to note B12). An additional offering of at least \$62.5m is to be raised from selected NZ investors and/or Silver Lake, this is to take place via a syndication process subsequent to year-end. The non-controlling interest held by Silver Lake is reported in the Statement of Changes in Equity.

There is an ongoing commercial agreement between the Partnership and New Zealand Rugby that governs future transactions.

### D2 ASSOCIATES AND JOINT VENTURES

Associates are entities in which New Zealand Rugby has significant influence, but not control, over the operating and financial policies. Joint ventures are entities in which New Zealand Rugby has joint control, but not outright control, over the operating and financial policies. The financial statements of all associates and joint ventures have been reflected in the Group financial statements on an equity accounting basis which shows New Zealand Rugby's share of profits or losses in the Income Statement and its share of post acquisition increases or decreases in net assets, in the Balance Sheet. The New Zealand International Sevens & SANZAAR have been proportionally consolidated whereby New Zealand recognises its proportionate share of income and expenditure in the Income Statement.

A list of associates, joint ventures and joint operations is disclosed below:

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASSIFICATION	INTEREST HELD	
			2022	2021
SANZAR Europe s.a.r.l.	Luxembourg	Associate	33%	33%
SANZAR Pty Limited	Australia	Associate	33%	33%
All Blacks Experience Limited Partnership	New Zealand	Joint Venture	51%	51%
New Zealand International Sevens	n/a	Joint Operation	75%	75%
SANZAAR	n/a	Joint Operation	25%	25%

**SANZAR Europe s.a.r.l.** is a company used to facilitate the sale of broadcast rights into European markets. SANZAR Europe s.a.r.l. is jointly owned by New Zealand Rugby and the Australian and South African Rugby Unions. SANZAR Europe s.a.r.l. has a balance date of 31 December. New Zealand Rugby had broadcasting income rights transactions of \$4.96m (2021: \$3.397m) with SANZAR Europe s.a.r.l. during the year.

**SANZAR Pty Limited** acts as the agent for the SANZAAR unincorporated joint venture which administers the Lipovitan-D Rugby Championship and DHL Super Rugby competitions. The company is jointly owned by New Zealand Rugby and the Australian and South African Rugby Unions. SANZAR Pty Limited has a balance date of 31 December. New Zealand Rugby paid management fee transactions of \$1.084m (2021: \$1.092m) to SANZAR Pty Limited during the year.

**All Blacks Experience Limited Partnership** is a joint venture between New Zealand Rugby and NTT Auckland Tourism Limited, to create an All Blacks themed tourism experience in Auckland. The experience opened in December 2020. While New Zealand Rugby's stake is 51%, with NTT Auckland Tourism Limited owning the remaining 49%, the constitution requires unanimous agreement from both partners for any major decisions and therefore the business is accounted for as a joint venture. New Zealand Rugby is committed to provide an additional \$9k (2021: \$9k) of capital to All Blacks Experience Limited Partnership. New Zealand Rugby provided All Blacks Experience Limited Partnership a further loan of \$520k, to support the cashflow of the business as a result of the on-going impact of covid-19 on the tourism sector. All Blacks Experience Limited Partnership has a balance date of 30 June.

New Zealand Rugby assessed the joint venture, following the ongoing impact of COVID-19 on the tourism sector, for any considered impairment. A discounted cash flow valuation assessed that the recoverable amount was higher than the carrying amount, therefore no impairment has been recognised during the year. Key assumptions used in the assessment include expected customer numbers and the timing of international travel restrictions easing.

**New Zealand International Sevens** is an unincorporated joint operation between New Zealand Rugby and 37 South Events GP Limited which organises the New Zealand Sevens tournament as part of the World Rugby Sevens World Series. New Zealand Rugby receives 75% of any profit or loss from the tournament and 37 South Events GP Limited the remaining 25%. No HSBC Sevens Tournament was held in 2022. 37 South Events GP Limited has a balance date of 31 March.

**SANZAAR** is an unincorporated joint operation of the South African, New Zealand, Australian and Argentinian Rugby Unions. The Unions each share one-quarter (25%) of the travel costs of the DHL Super Rugby and Lipovitan-D Rugby Championship through the unincorporated joint venture. SANZAAR has a balance date of 31 December.

	2022	2021
	\$000	\$000
<b>CARRYING VALUE OF ASSOCIATES AND JOINT VENTURES</b>		
Carrying value at beginning of the year	4,237	7,251
Investment/(Divestment)	-	(790)
Share of net loss for the year	(1,434)	(2,186)
Change in translation of foreign currency investment	18	(38)
<b>Total investments in associates and joint ventures</b>	<b>2,821</b>	<b>4,237</b>

## E. OTHER

This section includes the remaining information relating to New Zealand Rugby's financial statements that is required to comply with financial reporting standards.

### E1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially recorded at cost. Cost includes the original purchase consideration and those costs directly attributable to bring the item to the location and condition for its intended use. After recognition as an asset, property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided on a straight-line basis at depreciation rates calculated to allocate the cost less estimated residual value, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The classes of property, plant and equipment and their useful lives are: computer equipment (3 years); office equipment (5 years); office alterations and fixtures (10 years); coaching equipment (5 years).

\$000	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	OFFICE ALTERATIONS AND FIXTURES	COACHING EQUIPMENT	TOTAL
Cost or fair value	1,881	566	2,863	697	6,007
Less accumulated depreciation	(1,501)	(286)	(2,125)	(615)	(4,527)
<b>Net book value at 31 December 2020</b>	<b>380</b>	<b>280</b>	<b>738</b>	<b>82</b>	<b>1,480</b>
Additions	341	11	166	-	519
Depreciation expense	(283)	(68)	(296)	(33)	(680)
<b>Net book value at 31 December 2021</b>	<b>438</b>	<b>223</b>	<b>608</b>	<b>49</b>	<b>1,318</b>
Cost or fair value	2,222	577	3,029	697	6,526
Less accumulated depreciation	(1,784)	(354)	(2,421)	(648)	(5,207)
<b>Net book value at 31 December 2021</b>	<b>438</b>	<b>223</b>	<b>608</b>	<b>49</b>	<b>1,318</b>
Additions	597	11	1,698	254	2,561
Depreciation expense	(354)	(68)	(450)	(43)	(916)
<b>Net book value at 31 December 2022</b>	<b>681</b>	<b>167</b>	<b>1,856</b>	<b>260</b>	<b>2,964</b>
Cost or fair value	2,819	588	4,728	951	9,087
Less accumulated depreciation	(2,139)	(421)	(2,872)	(691)	(6,123)
<b>Net book value at 31 December 2022</b>	<b>681</b>	<b>167</b>	<b>1,856</b>	<b>260</b>	<b>2,964</b>

### E2 INTANGIBLE ASSETS

New Zealand Rugby uses its judgement in determining the remaining useful lives and residual values of intangible assets. These are reviewed, and if appropriate, adjusted at each balance date. Computer software assets' useful lives are estimated to be up to three years. Amortisation of intangible assets is calculated on a straight-line basis.

GROUP (\$000)	CONTRIBUTION TO EDEN PARK	COMPUTER SOFTWARE	DIGITAL ASSETS	TOTAL
Cost or fair value	10,000	6,387	-	16,387
Less accumulated amortisation	(5,000)	(5,138)	-	(10,138)
<b>Net book value as at 31 December 2020</b>	<b>5,000</b>	<b>1,249</b>	<b>-</b>	<b>6,249</b>
Additions	-	144	-	144
Amortisation expenses	(500)	(826)	-	(1,326)
<b>Net book value as at 31 December 2021</b>	<b>4,500</b>	<b>567</b>	<b>-</b>	<b>5,067</b>
Cost or fair value	10,000	6,531	-	16,531
Less accumulated amortisation	(5,500)	(5,964)	-	(11,464)
<b>Net book value as at 31 December 2021</b>	<b>4,500</b>	<b>567</b>	<b>-</b>	<b>5,067</b>
Additions	-	-	34	34
Disposals	-	-	-	-
Amortisation expenses	(500)	(384)	-	(884)
<b>Net book value as at 31 December 2022</b>	<b>4,000</b>	<b>183</b>	<b>34</b>	<b>4,217</b>
Cost or fair value	10,000	6,531	34	16,565
Less accumulated amortisation	(6,000)	(6,348)	-	(12,348)
<b>Net book value as at 31 December 2022</b>	<b>4,000</b>	<b>183</b>	<b>34</b>	<b>4,217</b>

## Contribution to Eden Park

In 2008, New Zealand Rugby contributed \$10m towards the redevelopment of Eden Park in return for certain benefits. The contribution to Eden Park is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the term of the agreement between the New Zealand Rugby, Eden Park Trust and the Auckland Rugby Football Union when the benefits will accrue to New Zealand Rugby. The term of the agreement is 20 years and the benefits started accruing to the New Zealand Rugby in 2011 at which time amortisation commenced.

## E3 PROVISIONS

### Provision for medical costs

New Zealand Rugby provides injury and illness benefits to employees and players. The provision is based on New Zealand Rugby's obligations under the ACC Accredited Employer Programme (AEP), split between short-term open claims and long-term reopened claims. Due to a change in the ACC cover from 1 April 2014 the long-term provision only relates to accidents that occurred prior to this date.

Until 1 April 2014, New Zealand Rugby was enrolled in the Full Self Cover Programme (FSCP) of the AEP. Under this programme, New Zealand Rugby paid a lower levy but was responsible for managing and compensating all costs arising from injuries in each cover year. After a number of years, any remaining open claims were passed back to ACC, along with a residual payment that is expected to cover the costs of the claim. New Zealand Rugby may also be liable for reopened claims if it can be demonstrated that the medical costs relate to an injury during the period of cover.

With effect from 1 April 2014, New Zealand Rugby moved to the Partnership Discount Programme (PDP). The levy that is charged is higher under this programme, but the New Zealand Rugby's future liability is limited only to the cost of claims arising in the two years following the cover year in which the claim occurred.

A provision is made for liabilities for short-term open claims and longer term and reopened claims that extend beyond the end of the financial year. The provision for medical and income costs is based on an annual independent actuarial valuation prepared by Craig Lough (FIAA, FNZSA), Fellow of the New Zealand Society of Actuaries of Melville Jessup Weaver, Consulting Actuaries. The Actuary has confirmed that the data provided by New Zealand Rugby was sufficient for the purposes of their report.

### Short-term provision assumptions

The Bornhuetter-Ferguson (BF) actuarial method is used to determine the short-term open claims provision. The BF method uses the weighted average of past claims development applied to an estimate of the ultimate claims costs to project future claims development. The estimated ultimate claims costs are derived as a percentage of liable earnings based on past New Zealand Rugby claims experience. The graduated weighted average BF development factors were derived from the New Zealand Rugby's own past payments pattern. The principal assumptions used by the Actuary, Craig Lough were:

- The projected future payments were discounted for the time value of money based on secondary market Government bond yields as at 30 December 2022.

### Long-term provision assumptions

The key assumptions that underpin the long-term medical provision calculation relate to the likelihood of players requiring surgery or treatment later in life based on injuries sustained during the period of cover and are derived from information provided by the New Zealand Rugby Medical Manager.

For these costs to be included in the provision, there must be a medically recognised link between the action (playing professional rugby for significant period) and the outcome (injury requiring medical remediation). Outcomes which have yet to have a medically recognised link or are anecdotal in nature are not included. At the date of this valuation, the only outcome with a medically recognised link to playing professional rugby relates to knee injuries.

Other inputs into the model are costs associated with surgery, consultations, rehabilitation and average weekly compensation which have been established using input from ACC and New Zealand Rugby. Economic assumptions were sourced from ACC and are consistent with their valuation basis as at 31 March 2022. A key factor in the model is the number of serious knee injuries sustained over the period of cover as these are believed to be a strong indicator of the need for surgery in later life. The model allows for the possibility of multiple operations to be required over a player's lifetime. The model was constructed to illustrate the potential range of outcomes.

The actuarial calculation is a central estimate of the present value of expected future payments for claims and consistent with the prior year a prudential margin liability has not been included in the calculation as the actuary has determined that an additional risk margin is not required. New Zealand Rugby will remain in the ACC Partnership Programme for the foreseeable future.

	2022	2021
<b>PROVISION FOR MEDICAL COSTS</b>	<b>\$000</b>	<b>\$000</b>
<b>Provision for medical costs at the start of the year</b>	<b>4,301</b>	<b>4,203</b>
Payments made during the year	(785)	(854)
Revaluation of provision	139	98
Outstanding costs incurred in the current year	804	854
<b>Provision for medical costs at the end of the year</b>	<b>4,459</b>	<b>4,301</b>
<i>Current</i>	<i>804</i>	<i>854</i>
<i>Non-current</i>	<i>3,655</i>	<i>3,447</i>



## Player payment variation account

The player payment variation account represents the difference between the players' share of agreed revenue (Player Generated Revenue) earned during the term of the players' Collective Employment Agreement and the benefits paid to the players during the same period. Player costs are recognised in the year in which the Player Generated Revenue is earned. A new Players Collective Employment Agreement was signed in August 2022 for a two-year term to 31 December 2023. The Collective Employment Agreement records the intention of both parties to manage the player payment variation account in future contract years beyond the expiry date.

	2022	2021
	\$000	\$000
<b>PLAYER PAYMENT VARIATION ACCOUNT</b>		
<b>Player payment variation account at the start of the year</b>	(3,519)	3,936
Movement in player payment variation account	4,602	(7,455)
<b>Player payment variation account at the end of the year</b>	<b>1,083</b>	<b>(3,519)</b>
<i>Current (Asset)/Liability</i>	1,083	(3,519)
<i>Non-current (Asset)/Liability</i>	-	-

## Benevolent and Welfare Fund

The Benevolent and Welfare Fund was established in conjunction with the New Zealand Rugby Players' Association in 2006 in accordance with the players' Collective Employment Agreement. The purpose of the fund is to provide payments to players employed under the players' Collective Employment Agreement who are no longer able to play professional rugby due to sickness, injury, accident or death or to players who are suffering hardship. The funds allocated by New Zealand Rugby together with the investment returns are payable for the benefit of the players.

The Fund is held in cash and cash equivalents on the Balance Sheet and is held solely for the purpose of meeting New Zealand Rugby's obligations for the Benevolent and Welfare Fund.

	2022	2021
	\$000	\$000
<b>BENEVOLENT AND WELFARE FUND</b>		
<b>Benevolent and Welfare Fund at the start of the year</b>	1,356	1,795
New Zealand Rugby contribution to the Fund	1,008	-
Payments from the Fund	(840)	(440)
Interest received	21	1
<b>Benevolent and Welfare Fund at the end of the year</b>	<b>1,545</b>	<b>1,356</b>

Due to the impact of COVID-19, New Zealand Rugby and the New Zealand Rugby Players Association agreed to waive the 2021 contribution to the Benevolent and Welfare Fund while ensuring a sufficient balance remained at balance date. The reduced level of rugby in 2021 and pattern of claims contributed to this decision. This was reinstated in line with the Collective Employment Agreement (CEA) in 2022.

## Provincial union funding variation ledger

As an outcome of the establishment of NZR Commercial LP Provincial Union Funding transitioned to being based on a share of NZR Group revenue (PU Revenue). The agreed share of PU Revenue is 17.5%. A PU Variation Ledger has been created for the first time as the difference between the share of revenue and funding payments made to Provincial Unions.

	2022	2021
	\$000	\$000
<b>PROVINCIAL UNION FUNDING VARIATION ACCOUNT</b>		
<b>Provincial union funding variation account at the start of the year</b>	-	-
Movement in provincial union funding variation account	3,087	-
<b>Provincial union funding variation account at the end of the year</b>	<b>3,087</b>	<b>-</b>
<i>Current (Asset)/Liability</i>	3,087	-
<i>Non-current (Asset)/Liability</i>	-	-

## E4 RELATED PARTIES

### Key management personnel compensation

The Group classifies its key management personnel into the following categories:

- Board Members
- Chief Executive Officers; and
- Executive team.

The remuneration of Board members and other key management during the year was as follows:

	2022	2021
	\$000	\$000
Board member fees - New Zealand Rugby	654	532
Board member fees - New Zealand Rugby Commercial LP	164	-
<b>Total board member fees</b>	<b>818</b>	<b>532</b>
<b>Chief Executive Officers and Executive Team</b>		
Salaries and short-term benefits	4,006	3,661
<b>Total key management personnel compensation</b>	<b>4,824</b>	<b>4,193</b>

For the period 1 January 2022 to 30 June 2022, the Chief Executive Officer and Executive team consisted of ten full-time equivalent employees (2021: nine). For the period 1 July 2022 to 31 December 2022, the Chief Executive Officers and Executive team consisted of nine full-time equivalent employees.

Fees paid or payable to Board members for services as Board members during the year totalled \$818,000 (2021: \$532,000). There are no Board member fees outstanding at 31 December 2022 (2021: \$nil).

## E5 AUDITOR'S REMUNERATION

	2022	2021
AUDITOR'S REMUNERATION TO DELOITTE FOR:	\$000	\$000
Audit of the financial statements	278	121
Non-assurance services	-	-
<b>Total auditor's remuneration</b>	<b>278</b>	<b>121</b>

Additional auditor's remuneration was incurred in 2022 as a result of the establishment of NZR Commercial LP and issuance of two audit opinions (group and subsidiary).

## E6 COMMITMENTS

### Operating leases

New Zealand Rugby leases certain office equipment and premises. Operating leases are leases where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items. Operating lease payments are recognised in Income Statement in equal instalments over the term of the lease.

	2022	2021
OPERATING LEASE COMMITMENTS	\$000	\$000
Less than 1 year	1,274	1,700
Later than 1 year and not later than 2 years	1,279	1,680
Later than 2 years and not later than 5 years	683	2,291
More than 5 years	206	200
<b>Total operating lease commitments</b>	<b>3,442</b>	<b>5,871</b>

## E7 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2022 (2021: nil).

## E8 SUBSEQUENT EVENTS

No other subsequent events have occurred since balance date that would materially impact the financial statements as at 31 December 2022 (2021: nil).

# **NEW ZEALAND RUGBY UNION**

**Statement of Service Performance Report  
for the year ended 31 December 2022**

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# Statement of Service Performance Report

This is the first year New Zealand Rugby (NZR) has reported a Statement of Service Performance Report. The purpose of this report is for NZR to describe what it has achieved throughout the year against its broad aims and objectives. It is designed to help communicate key achievements, and demonstrate value and accountability to members, funders and the public.

The statement has three levels of information:

- Our purpose - Why NZR exists.
- Our 'Strategy 2025' objectives - What NZR intends to achieve.
- Our progress - How NZR performed.

NZR is New Zealand's largest national sports organisation in terms of financial turnover and registered participation. The organisation has been formed by its Affiliate members to be a world-leading sports organisation, helping all of rugby in New Zealand to be the best it can be.

The Statement of Service Performance Report has been structured to be aligned with NZR's 'Strategy 2025'. This strategy was launched in 2022 and provides a post-pandemic reset to reimagine rugby by looking at every aspect of the game and ensure it is enjoyable, sustainable and well-positioned for any future challenges.

NZR's performance against 'Strategy 2025' is described in the achievements for the year under each of the strategic objectives and through measures selected to demonstrate long term progress. 2022 itself was a year of organisational transformation with the game agreeing to partner with Silver Lake to establish a focused commercial entity. This has set in motion several workstreams that will determine future service performance measures to reflect progress against certain strategic objectives and long-term progress of the organisation.



# Our purpose

New Zealand Rugby is New Zealand's largest national sporting organisation, made up of 166 staff across the country, committed to its vision of inspiring and unifying through rugby.

NZR's purpose is to be a world-leading sports organisation, helping all of rugby in New Zealand to be the best it can be. This is constituted through the requirement for NZR to do the following:

- promoting, fostering and developing rugby in New Zealand,
- encouraging participation in and support for rugby at all levels,
- forming and managing New Zealand representative rugby teams,
- arranging and managing competitions between Affiliated Unions,
- arranging and participating in international matches,
- representing New Zealand at World Rugby forums,
- complying with the laws, regulations and resolutions of World Rugby and requiring Members to do the same,
- do all such other things to promote the interests of rugby in New Zealand.

The Affiliated Union members of NZR are the 26 Provincial Unions (the Unions). NZR works with, for and on behalf of these Unions, while the Unions manage their representative teams and provide rugby administration and services to the clubs and schools in their region.

NZR leads, supports, grows and promotes rugby in New Zealand, striving for teams in black that are unrivalled, a high-performance system that produces the world's best talent, competitions that fans love, and a community game at the heart of the sport that is strong.

# Our progress

Service Performance Measures	2022	2021 (unaudited)	
Teams in Black winning pinnacle events.	1 of 5	1 of 2	-
Black Ferns ranked #1 in the world within the year, by number of weeks.	0 / 52	0 / 52	×
All Blacks ranked #1 in the world within the year, by number of weeks.	0 / 52	4 / 52	×
Increase the total number of rugby participants.	147,847	158,409	×
Increase the total number of female rugby participants.	25,298	27,562	×
Number of serious injuries in rugby in New Zealand.	0	<=3	✓
Staff engagement survey satisfaction score above the New Zealand average.	-2%	+5%	×
40% female directors on the NZR Board.	33%	22%	×

## Definitions and Judgements:

- Pinnacle events are World Cup tournaments, Olympic and Commonwealth Games.
- International rugby ranking points are calculated and reported weekly by World Rugby.
- Rugby participants includes players, coaches and referees registered in the NZR registration database.
- Serious injury is a claims classification that ACC has created for identifying claimants with specific types of serious injury who are likely to have complex and long-term injury related needs. It includes moderate to severe traumatic brain injuries, spinal cord injuries or comparable injuries.
- Staff engagement satisfaction score is the average across five engagement index questions in the annual staff engagement survey. It is a standard used by the industry staff survey provider across many organisations to provide a New Zealand average.
- Female directors are self-identifying female members on the NZR Board as at 31 Dec 2022. It excludes NZRC Board and Co-opted or Emerging Directors.

# Our 'Strategy 2025' objectives

**Winning with mana** – Our goal is to win pinnacle events and enhance the mana and legacy of rugby in New Zealand.

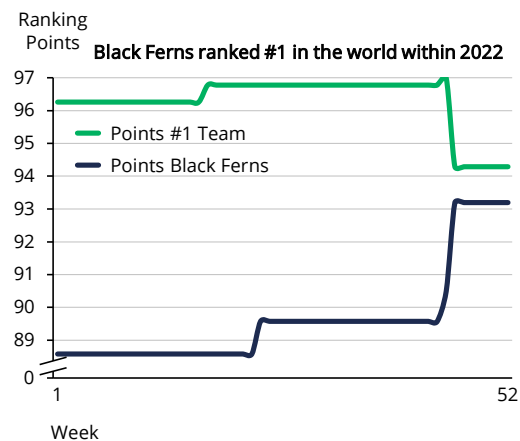
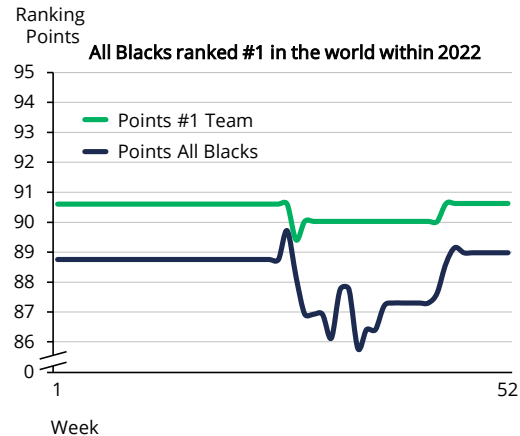
2022 was a busy year with teams in black involved in five pinnacle events through the year. The Black Ferns were involved in RWC21 which was postponed from 2021 due to Covid-19, and the Black Ferns Sevens and All Blacks Sevens each had the Commonwealth Games and Sevens Rugby World Cup.

The highlight of 2022 was RWC21 held in New Zealand and the incredible result of the Black Ferns in winning the tournament. Although it was the only pinnacle event that was won by a New Zealand team in 2022 out of the five on offer, the fact the tournament was held here in Aotearoa, the timing for women's sport and the incredible performance of the team, made this an extremely important achievement for NZR.

Both Sevens teams won bronze medals in Birmingham at the Commonwealth Games after close defeats in the semi-finals. However, they went one better at the Rugby World Cup Sevens in Cape Town, making it through to the final, with the All Blacks Sevens ultimately losing out to Fiji and the Black Ferns Sevens to Australia.

In terms of World Rugby rankings, despite the Black Ferns winning RWC21, the English team who had been dominant over the past four years maintained their #1 ranking, although the Black Ferns closed the gap after their World Cup win.

The All Blacks had a turbulent year with an early home Steinlager Series loss to Ireland, followed by winning a strongly contested Lipovitan Rugby Championship, retaining the Bledisloe Cup and an unbeaten Healthspan Northern Tour. While not reaching the #1 ranking in 2022, the competitiveness between the top ranked nations is demonstrated by the fact that the All Blacks finished year ranked 3rd but with slightly more ranking points than at the start of the year when they were ranked #2 in the world.



**Rugby at the heart of our communities** - Our goal is for rugby to be at the heart of our communities, and communities at the heart of rugby.

Covid-19 continued to have an impact on community sport into 2022, with some of the recovery in participant numbers in 2021 lost due to the disruption caused by Covid-19 restrictions when clubs and schools were registering players in the early part of the season. This decrease in total participant numbers from 2021 also included a decrease in female participants, as recruitment and competitions were disrupted.

During 2022 the 'Women & Girls in Rugby Strategy' was completed with wide consultation across the rugby landscape. This strategy sets out five interlinked key focus areas to build the rugby system for women and girls over the next 10 years. These key focus areas are:

- Culture – an open-minded and inclusive culture across rugby.
- System – focused rugby system collaboration, investment, roles, resourcing and accountability.
- Participation – Women & girls participation growth and pathways fostered through innovation and flexibility.
- Transitions – Women & girls entry and retention in rugby through safe, supported and confident transitions.
- Performance – Balanced and sustainable performance outcomes for women and girls rugby – high-performance, fans and commercial.

A programme that was piloted in 2022 to support this system build was the Ako Wahine female rugby educator programme. Its aim is to develop female rugby educators from clubs, schools and Provincial Unions to give them the skills and confidence to create opportunities for females in their own environments. The programme was successful in having 31 female educators complete the course in 2022.

# Our 'Strategy 2025' objectives

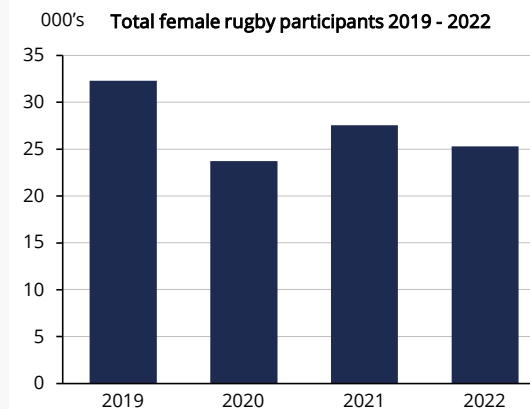
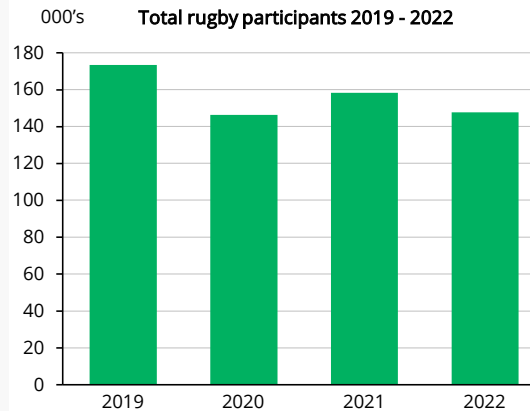
Another focus area for the community game is teenage rugby which has been under pressure from participant decline for several years. 2022 saw rugby increase its presence at the Secondary Schools Tournaments weeks, with Sevens offered in the summer window, and 10s and XVs in the winter. The offering is for both boys and girls, and aims to encourage participation by players who may not be part of the schools top level programmes.

The community game received a significant investment in 2022 through the provision of funds to Provincial Unions and community clubs resulting from the Silver Lake commercial deal. \$20m was made available for Unions to strengthen their reserves and \$7.5m to community clubs for investment in capital projects or programmes to increase participation.

**Loved game, loved brands** - Our goal is to ensure our game and our brands shine locally and on the global stage.

New Zealanders were once again inspired and unified through rugby with the journey of the Black Ferns success at RWC21. Over 40,000 fans filled Eden Park to cheer on the team in the final in front of a TV audience in excess of 1.2 million viewers. Many of these fans were new to rugby and were attracted by the brand of rugby the Black Ferns were playing and the personable connection with the players. The tournament itself broke records for women's rugby fixtures and surpassed previous women's Rugby World Cup attendances.

According to the NZ Rugby Fan Monitoring research performed by Kantar in Dec 22, interest in rugby was relatively stable across the year, and while interest in the Black Ferns was also static at the start of the year, once RWC21 began and as the team advanced, interest saw a sharp increase. This increase was most significant in female fans, with interest in attending matches featuring the Black Ferns up for younger age groups.



In 2022 NZR developed its Environmental Sustainability Strategy that will guide the organisation on reducing its impact on the environment. There is a growing expectation from fans, funders and commercial partners for NZR to have a strong position on environmental issues. The Environmental Sustainability Strategy includes a Carbon Inventory Report to be completed in 2023 to baseline emissions and will form part of a multi-year implementation plan. Measures from this will be included in future service performance reports to track progress.

**Unleashing rugby's commercial potential** - Our goal is to unleash rugby's commercial potential and invest sustainably in the game.

2022 was arguably the most significant year commercially for NZR in its 130 year history due to new global sponsors coming on board and the completion of the Silver Lake deal that valued the new company New Zealand Rugby Commercial (NZR Commercial) at \$3.5bn.

In June 2022 NZR's stakeholders voted in favour of partnering with Silver Lake, a global leader in technology and sports industry investment, to establish NZR Commercial. The primary objectives of this deal was to build capital and capability in rugby in New Zealand and leverage off the globally recognised NZR brands by focusing on commercial growth opportunities.

The capital investment from the deal has allowed NZR and its stakeholders to rebuild their reserves that were impacted by Covid-19, provide investment funding for NZR Commercial's growth strategy and provide seed investment for a Legacy Fund to be established. The Legacy Fund will be an endowment fund that will support initiatives to ensure rugby in New Zealand remains strong into the future.



# Our 'Strategy 2025' objectives

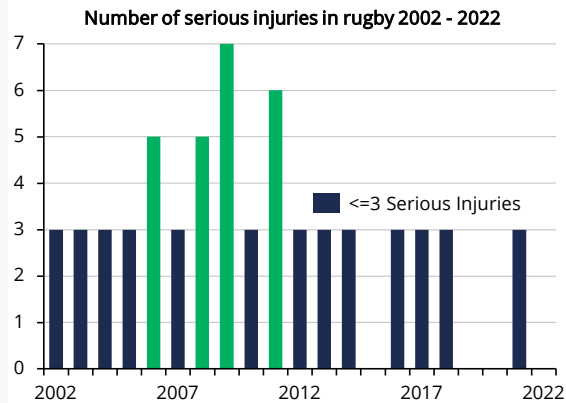
The second six months of 2022 involved setting up NZR Commercial with people and processes for it to be successful. This included the appointment of a Board with a diverse mix of experience and rugby background, as well as laying the foundations for NZR Commercial to build its strategy and growth plans.

2022 was the first year that a new global sponsorship architecture was in place that increased the sponsorship income of NZR. This approach allows for a wider range of properties offered to global commercial partners added to the apparel of NZR's seven teams in black, along with a new front of jersey sponsor. Partnerships with such strong global companies not only provide financial benefits for NZR but also additional benefits for teams and the organisation.

**Enhancing the welfare of our players** - Our goal is to ensure every player is safe and well.

Enhancing the welfare of our players at all levels of the game has been a focus for many years in the community game through the RugbySmart programme in partnership with ACC. This programme provides annual training to all coaches and referees on player safety and development. It was initially focused on the scrum safety and technique, with a high number of serious injuries from this area of the game in the past, which has since reduced thanks to the RugbySmart programme.

In recent years, correct technique to avoid head injuries and information on being able to identify concussion and following correct treatment protocols has been a focus.



Serious injuries is defined by ACC as those that are likely to have complex and long-term injury related needs. They include moderate to severe traumatic brain injuries, spinal cord injuries or comparable injuries such as amputations. Injuries are captured through the ACC claims data and is provided at an accumulative level, although where the number of injuries in a year is 3 or less the number is suppressed by ACC for privacy reasons. In 2022 there were no serious injuries, which is the third year in the past five that this pleasing result has occurred.

Trials of community rugby game innovations were undertaken across the country in 2022, with the purpose of improving player safety and the enjoyment of the game. Following positive feedback from participants, NZR will implement a rule change for the 2023 season that reduces the tackle height to below the sternum for all community rugby grades. This innovation is intended to reduce the risk of injuries to make the game as safe as possible, while preserving rugby's social and physical benefits.

Having trained volunteers on the side-lines able to immediately assist injured players is the purpose behind the First Aid In Rugby (FAIR) courses. These courses are rugby specific and are delivered by practitioners with rugby expertise. In 2022 there were 15 courses delivered across the country with 117 volunteers now qualified FAIR medics supporting our community matches.

The mental health and wellbeing of all involved in rugby is also a key focus in this strategic area. The Headfirst website and resources it provides has been developed to provide the rugby community and those embarking on a professional pathway, with information to be able to support their own wellbeing and that of others. The Headfirst programme has been developed in partnership with Movember and The Mental Health Foundation, with support from Sky TV to help deliver messaging and build resources in the community.



# Our 'Strategy 2025' objectives

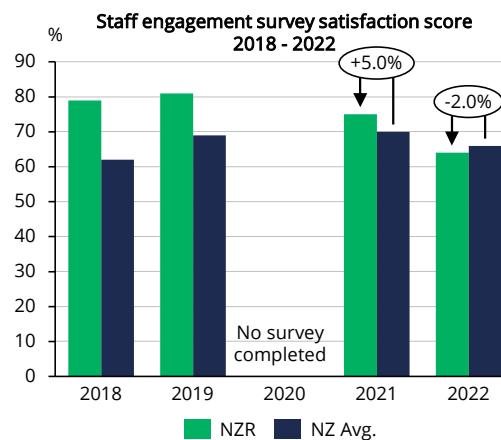
**Mauri tū, mauri ora ora** - Our goal is to enable a world-leading sports organisation and engaging, diverse and inclusive environments across rugby.

The Covid-19 pandemic has been a difficult period for NZR and its people due to the uncertainty and health concerns it created. The NZR staff engagement survey satisfaction score has reflected the turbulent nature of the past two years with a decline in overall staff satisfaction, down to similar levels as the New Zealand average which also decreased in 2022. With specific initiatives planned to respond to the feedback from staff, the goal is to improve the satisfaction score back to above the New Zealand average as it has been in the past.

The number of female directors on the NZR Board increased to 3 in 2022 with the appointment of Dame Patsy Reddy and Rowena Davenport joining Dame Farah Palmer. This brought the proportion of females on the Board to 33%, still short of the benchmark target of 40%. Although not part of the measure, a female Emerging Director was appointed to the Board during the year, and at the end of 2022 Dame Patsy was announced as Board Chair from early 2023, further enhancing the female leadership of NZR.

NZR launched its Equity, Diversity & Inclusion Strategy in 2021 and has made progress on many of the actions within this plan during the year. As a result of the NZR Rainbow Ready Rugby plan, NZR won three categories at the 2022 Rainbow Excellence Awards, including the Supreme Award.

The NZR Māori Rugby Board launched the Māori Rugby strategy alongside 'Strategy 2025' in 2022 and shared in the investment from the Silver Lake deal that will help fund initiatives to support this strategy. Within the organisation, the Māori Rugby Development Programme was nominated for a Sport NZ award for its impact on Māori sport participation and NZR staff were provided an opportunity to engage in te reo Māori classes.



**Female directors on NZR Board 2021 - 2022**



RWC2021 also engaged te ao Māori expertise, tikanga and Māori world concepts to greatly enhance not only the overall tournament but also the Black Ferns environment to great effect. NZR staff ensured relationships with Iwi and Māori were tika, as evidenced by the award winning 'Wā Poi - Its Poi Time' campaign that engaged fans across the tournament with the full support of Iwi and te ao Māori.

**Leading through technology** - Our goal is to become the most technologically enabled rugby organisation in the world.

2022 was a foundation building year of the data and authentication infrastructure that will be needed to support the organisations technology growth plans. This followed a period of system consolidation that moved many legacy systems onto cloud-based environments that are more cost effective and improve organisational resilience.

This foundational work is critical to the fan-focussed digital programme that started in the second half of 2022 and will continue into 2023. This included the development of fan data and engagement platforms, improved video on-demand capability, and added functionality to the allblacks.com website that is now available in Te Reo, Japanese, Fijian, Tongan, Samoan and soon to be French for the RWC2023.

The other major project for 2022 was a re-architected MarketingTech stack where existing data and CRM systems have been cleansed and updated to allow more efficient internal processes. This is integral to being able to cope with the projected increase in fan engagement channels and subsequent volumes of data. 2023 will be another strategically important year in NZR's technology growth plans, with the focus on continued development in broad-reaching customer channels, supported by best practice cyber-security, privacy, data and marketing processes.

## Independent Auditor's Report

### To the Members of New Zealand Rugby Union Incorporated

#### Opinion

We have audited the consolidated performance report ('performance report') of New Zealand Rugby Union Incorporated ('NZ Rugby') and its subsidiaries (the 'Group'), which comprise the consolidated financial statements on pages 2 to 26, and the statement of service performance on pages 28 to 33. The complete set of financial statements comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying performance report presents fairly, in all materials respects:

- the financial position of the Group as at 31 December 2022, and its financial performance and cash flows for the year then ended; and
- the service performance for the year ended 31 December 2022 in accordance with the entity's service performance criteria

in accordance with Public Benefit Entity Standards ('PBE Standards') issued by the New Zealand Accounting Standards Board.

#### Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the service performance information in accordance with the ISAs (NZ) and New Zealand Auditing Standard NZ AS 1 *The Audit of Service Performance Information* ('NZ AS 1'). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the performance report* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, 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.

Other than in our capacity as auditor, we have no relationship with or interests in the Group, except that partners and employees of our firm deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

#### Directors' responsibilities for the performance report

The Directors are responsible on behalf of the Group for:

- the preparation and fair presentation of the financial statements and the statement of service performance in accordance with PBE Standards;
- service performance criteria that are suitable in order to prepare service performance information in accordance with PBE Standards; and
- such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the performance report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole, and the statement of service performance 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 (NZ) and NZ AS 1 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 decisions of users taken on the basis of this performance report.



A further description of our responsibilities for the audit of the performance report is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-15/>

This description forms part of our auditor's report.

**Restriction on use**

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the 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 Members as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

Wellington, New Zealand  
5 April 2023