

# **NEW ZEALAND RUGBY UNION**

**Financial Statements**

**for the year ended 31 December 2018**

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# INCOME STATEMENT

for the year ended 31 December 2018

	NOTE	GROUP	
		2018 \$000	2017 \$000
<b>Income</b>			
Broadcast rights		73,332	104,571
Sponsorship and licensing		68,074	62,493
Matchday		28,072	64,567
Other income	A1	6,685	5,849
Interest income	A1	3,706	3,565
Foreign exchange gains		9,647	15,895
Equity accounted profit of associates and joint ventures	D2	-	311
<b>Total income</b>	A1	<b>189,516</b>	<b>257,251</b>
<b>Expenditure</b>			
Game development		31,570	30,008
Teams in Black		57,263	69,494
Competitions		88,518	111,901
Administration		13,290	12,392
Interest expense		642	38
Equity accounted loss of associates and joint ventures	D2	96	-
<b>Total expenditure</b>	A2	<b>191,379</b>	<b>223,833</b>
<b>Net (loss)/profit before tax</b>		<b>(1,863)</b>	<b>33,418</b>
Income tax	A3	-	-
<b>Net (loss)/profit after tax</b>		<b>(1,863)</b>	<b>33,418</b>
<b>Net (loss)/profit after tax attributable to:</b>			
Stakeholders of the parent		(1,863)	33,777
Non-controlling interest		-	(359)
		<b>(1,863)</b>	<b>33,418</b>

# COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2018

	NOTE	GROUP	
		2018 \$000	2017 \$000
<b>Net (loss)/profit after tax</b>		<b>(1,863)</b>	<b>33,418</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net (loss)/gain on cash flow hedges	B2	(15,390)	(3,683)
Exchange differences arising from translation of foreign operations	B3	(3)	150
<b>Total comprehensive income, net of tax</b>		<b>(17,256)</b>	<b>29,885</b>
<b>Total comprehensive income attributable to:</b>			
Stakeholders of the parent		(17,256)	30,244
Non-controlling interest		-	(359)
		<b>(17,256)</b>	<b>29,885</b>

# BALANCE SHEET

as at 31 December 2018

	NOTE	GROUP	
		2018 \$000	2017 \$000
<b>Current assets</b>			
Cash and cash equivalents	B4	19,330	17,757
Term investments	B5	70,500	79,000
Trade and other receivables	B6	63,216	47,294
Prepayments		2,902	2,923
Loans and advances	B7	175	342
Financial instruments	C1	11,377	12,041
<b>Total current assets</b>		<b>167,500</b>	<b>159,357</b>
<b>Non-current assets</b>			
Term investments	B5	-	15,000
Trade and other receivables	B6	3,047	4,658
Loans and advances	B7	737	42
Property, plant and equipment	E1	1,819	2,128
Intangible assets	E2	8,363	7,544
Investment in associates and joint ventures	D2	3,130	2,316
Financial instruments	C1	5,859	20,508
<b>Total non-current assets</b>		<b>22,955</b>	<b>52,196</b>
<b>Total assets</b>		<b>190,455</b>	<b>211,553</b>
<b>Current liabilities</b>			
Trade and other payables	B8	10,111	11,553
Income in advance		46,961	46,624
Benevolent and welfare fund	E3	2,138	2,478
Provision for medical costs	E3	589	601
Player payment variation account	E3	5,922	2,669
Financial instruments	C1	902	410
<b>Total current liabilities</b>		<b>66,623</b>	<b>64,335</b>
<b>Non-current liabilities</b>			
Provision for medical costs	E3	3,332	3,619
Player payment variation account	E3	14,726	20,238
Financial instruments	C1	1,950	2,281
<b>Total non-current liabilities</b>		<b>20,008</b>	<b>26,138</b>
<b>Total liabilities</b>		<b>86,631</b>	<b>90,473</b>
<b>Net assets</b>		<b>103,824</b>	<b>121,080</b>
<b>Equity</b>			
Cash flow hedge reserve	B2	13,711	29,101
Foreign currency translation reserve	B3	(5)	(2)
Retained earnings	B1	90,118	91,981
<b>Total equity</b>		<b>103,824</b>	<b>121,080</b>

For and on behalf of the Board who authorised the issue of the financial statements on 21 February 2019.

  
BRENT IMPEY, Chair

  
STEWART MITCHELL, Chair - Audit, Risk, People and Capability Committee

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	NOTE	GROUP				TOTAL EQUITY \$000
		CASH FLOW HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	RETAINED EARNINGS \$000	ATTRIBUTABLE TO NON- CONTROLLING INTERESTS \$000	
<b>Balance as at 1 January 2017</b>		32,784	(152)	58,204	794	91,630
Net profit for the 2017 year	B1	-	-	33,777	(359)	33,418
Subsidiary becoming a joint venture		-	-	-	(435)	(435)
<b>Other comprehensive income</b>						
Net gain on cash flow hedges	B2	(3,683)	-	-	-	(3,683)
Exchange differences from translation of foreign operations	B3	-	150	-	-	150
<b>Total other comprehensive income, net of tax</b>		(3,683)	150	-	-	(3,533)
<b>Total comprehensive income, net of tax</b>		(3,683)	150	33,777	(359)	29,885
<b>Balance as at 31 December 2017</b>		29,101	(2)	91,981	-	121,080
Net loss for the 2018 year	B1	-	-	(1,863)	-	(1,863)
<b>Other comprehensive income</b>						
Net gain on cash flow hedges	B2	(15,390)	-	-	-	(15,390)
Exchange differences from translation of foreign operations	B3	-	(3)	-	-	(3)
<b>Total other comprehensive income, net of tax</b>		(15,390)	(3)	-	-	(15,393)
<b>Total comprehensive income, net of tax</b>		(15,390)	(3)	(1,863)	-	(17,256)
<b>Balance as at 31 December 2018</b>		13,711	(5)	90,118	-	103,824

# CASH FLOW STATEMENT

for the year ended 31 December 2018

	NOTE	GROUP	
		2018 \$000	2017 \$000
<b>Operating activities</b>			
Receipts from broadcasting, sponsorship and licensing, and matchday		157,119	210,311
Interest received		3,569	3,891
Other income		6,685	5,849
Payments to suppliers and employees		(185,261)	(191,958)
<b>Operating cash flows</b>	B4	(17,888)	28,093
<b>Investing activities</b>			
Maturity/(purchase) of term investments		23,500	(22,755)
Investment in associates		(912)	-
(New) loans/repayments of loans and advances		(636)	383
Purchase of property, plant and equipment		(294)	(415)
Purchase of intangible assets		(2,159)	(891)
<b>Investing cash flows</b>		19,499	(23,678)
<b>Net increase in cash held</b>		1,611	4,415
Effect of exchange rate change on foreign currency balances		(38)	508
Effect of a subsidiary becoming a joint venture		-	(44)
Cash and cash equivalents at start of the year		17,757	12,878
<b>Cash and cash equivalents at end of the year</b>		19,330	17,757



## ABOUT THIS REPORT

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.

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 4, 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 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.

### 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 E3: Provision for medical costs

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### OTHER ACCOUNTING POLICIES

Other accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

#### 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 2018.

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

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

#### 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.

- PBE IPSAS 35: Consolidated Financial Statements (effective for periods beginning on or after 1 January 2019)  
This standard supersedes PBE IPSAS 6: Consolidated and separate financial statements. This standard clarifies when control is present over another entity based on three elements: power of that entity, rights to variable benefits or exposure to variable benefits from involvement with that entity and ability to use the power over that entity in order to affect those benefits.
- PBE IPSAS 36: Investment in Associates and Joint Ventures (effective for periods beginning on or after 1 January 2019)  
This standard supersedes PBE IPSAS 7: Investments in Associates. All investments in joint ventures and investment in associates shall be accounted for using the equity method.
- PBE IPSAS 37: Joint Arrangements (effective for periods beginning on or after 1 January 2019)  
This standard supersedes PBE IPSAS 8: Interests in Joint Ventures. PBE IPSAS 37 classifies joint ventures as being either joint operations or joint ventures. Whether the joint arrangement is a joint operation or a joint venture is determined based on the rights and obligations of the parties' under the arrangement. All joint ventures are required to be proportionately consolidated.
- PBE IPSAS 38: Disclosure of interests in other entities (effective for period beginning on or after 1 January 2019)  
This standard establishes disclosure objectives and specifies the minimum disclosures that an entity must provide to meet those objectives.

## A. FINANCIAL PERFORMANCE

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

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

In 2018, the All Blacks domestic test match programme reverted to a normal three match Steinlager Series as opposed to the one-in-twelve year DHL NZ Lions Series in 2017. The DHL NZ Lions Series 2017 included three test matches against the All Blacks, one match against the Māori All Blacks, five matches against Investec Super Rugby clubs and one match against a Provincial Union Barbarians team. As a result income and expenditure in 2018 has decreased significantly when compared to 2017.

### A1 INCOME

Broadcasting and Sponsorship and licensing income is 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 as income in advance.

	NOTE	GROUP	
		2018 \$000	2017 \$000
<b>Income from operations comprises of the following items</b>			
Income from broadcasting, sponsorship and licensing, matchday *		169,478	231,631
<b>Other income</b>			
Income from government grants *	A1	5,322	4,415
Income from gaming trusts *	A1	25	17
Other income *		1,338	1,417
		6,685	5,849
<b>Interest income</b>			
Bank deposits		3,691	3,555
Provincial Unions		15	10
		3,706	3,565
Foreign exchange gains		9,647	15,895
Equity accounted profit of associates and joint ventures	D2	-	311
<b>Total income</b>		<b>189,516</b>	<b>257,251</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. 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.

	GROUP	
	2018 \$000	2017 \$000
Exchange income	181,362	248,543
<b>Non-exchange income</b>		
Sponsorship and licensing	1,400	1,400
Matchday	747	1,838
Other income	6,007	5,470
<b>Total non-exchange income</b>	<b>8,154</b>	<b>8,708</b>
<b>Total income</b>	<b>189,516</b>	<b>257,251</b>



## Income from government and gaming trust grants

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

	GROUP	
	2018	2017
	\$000	\$000
<b>GOVERNMENT AND GAMING TRUST GRANTS</b>		
<b>Government grants</b>		
Accident Compensation Corporation	2,049	1,313
High Performance Sport New Zealand	2,157	2,083
Ministry of Foreign Affairs and Trade	556	424
Sport New Zealand	560	595
<b>Total income from Government grants</b>	<b>5,322</b>	<b>4,415</b>
<b>Gaming trust grants</b>		
New Zealand Community Trust	25	17
<b>Total income from gaming trust grants</b>	<b>25</b>	<b>17</b>

## A2 EXPENDITURE

	NOTE	GROUP	
		2018	2017
		\$000	\$000
<b>Expenditure from operations comprises of the following items</b>			
Expenditure from operating activities		91,365	101,164
<b>Finance costs:</b>			
Bank interest		642	38
Other interest		-	-
		642	38
Net movement in doubtful debts provision	B6	734	-
Write-off to bad debts	B6	-	53
Movement in provision for medical costs	E3	(299)	590
Depreciation of property, plant and equipment	E1	603	626
Amortisation of intangible assets	E2	1,340	879
Operating lease rental expenses		1,417	1,385
Employee benefits		90,263	114,094
Defined contribution plan expenses		5,218	5,004
Equity accounted loss of associates and joint ventures	D2	96	-
<b>Total expenditure</b>		<b>191,379</b>	<b>223,833</b>

## 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.

	2018	2017
	\$000	\$000
<b>PROVINCIAL UNION</b>		
<b>Mitre 10 Cup Provincial Unions</b>		
Auckland	2,561	2,725
Bay of Plenty	2,014	1,921
Canterbury	2,449	2,277
Counties Manukau	1,955	1,971
Hawke's Bay	1,611	1,553
Manawatu	1,691	1,654
North Harbour	1,565	1,834
Northland	1,891	1,873
Otago	1,743	1,653
Southland	1,492	1,496
Taranaki	2,047	1,713
Tasman	1,708	1,700
Waikato	1,959	2,031
Wellington	2,055	1,940
<b>Total Mitre 10 Cup Provincial Union funding</b>	<b>26,741</b>	<b>26,341</b>

## Provincial Union Funding (continued)

	2018	2017
PROVINCIAL UNION	\$000	\$000
<b>Mitre 10 Heartland Championship Provincial Unions</b>		
Buller	348	340
East Coast	328	344
Horowhenua Kapiti	581	545
King Country	481	460
Mid Canterbury	438	430
North Otago	401	384
Poverty Bay	491	470
South Canterbury	445	445
Thames Valley	479	464
Wairarapa Bush	475	464
Wanganui	493	456
West Coast	344	346
<b>Total Mitre 10 Heartland Championship Provincial Union funding</b>	<b>5,304</b>	<b>5,148</b>
<b>Total Provincial Union funding</b>	<b>32,045</b>	<b>31,489</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.

	2018	2017
SUPER RUGBY CLUB	\$000	\$000
Blues	489	785
Chiefs	501	624
Crusaders	496	823
Highlanders	472	589
Hurricanes	457	640
<b>Total Super Rugby club funding</b>	<b>2,415</b>	<b>3,461</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.

	2018	2017
ASSOCIATE MEMBER	\$000	\$000
New Zealand Deaf Rugby Football Union	15	15
New Zealand Marist Rugby Football Federation	5	3
New Zealand Rugby Foundation	400	400
New Zealand Schools Rugby Council	210	210
New Zealand Universities	18	18
Rugby Museum Society of New Zealand	35	35
<b>Total Associate Member funding</b>	<b>683</b>	<b>681</b>



### A3 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.

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.

	GROUP	
	2018	2017
INCOME TAX EXPENSE	\$000	\$000
(Loss)/profit before income tax	(1,863)	33,418
Prima facie tax @ 28%	(522)	9,357
Tax effect of permanent differences (exempt activities)	522	(9,357)
Benefit of tax losses not previously recognised	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The Group has accumulated tax losses of \$5.225m (2017: \$5.225m) available to be carried forward and offset against future assessable income. The \$1.463m (2017: \$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 2018 result (2017: 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;
- (b) cash and cash equivalents and term deposits;
- (c) loans and advances; and
- (d) receivables and payables.

### B1 RETAINED EARNINGS

	GROUP	
	2018	2017
RETAINED EARNINGS	\$000	\$000
Balance at the start of the year	91,981	58,204
(Loss)/profit for the year attributable to the stakeholder's of the parent	(1,863)	33,777
<b>Retained earnings</b>	<b>90,118</b>	<b>91,981</b>

### B2 CASH FLOW HEDGE RESERVE

The cash flow hedge reserve represents the unrealised favourable variance between the contracted rate and the market rate of unexpired foreign currency forward contracts designated as hedges as at 31 December 2018.

	GROUP	
	2018	2017
CASH FLOW HEDGE RESERVE	\$000	\$000
Balance at the start of the year	29,101	32,784
(Losses)/gains on cash flow hedges taken to equity	(3,802)	9,261
Transferred to profit or loss for the period	(11,588)	(12,944)
<b>Cash flow hedge reserve</b>	<b>13,711</b>	<b>29,101</b>

### B3 FOREIGN CURRENCY TRANSLATION RESERVE

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

	GROUP	
	2018	2017
FOREIGN CURRENCY TRANSLATION RESERVE	\$000	\$000
Balance at the start of the year	(2)	(152)
(Losses)/gains arising from translation of foreign operations	(3)	150
<b>Foreign currency translation reserve</b>	<b>(5)</b>	<b>(2)</b>

### B4 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. Cash and cash equivalents amounting to \$79m at 31 December 2017 have been reclassified to term investments as their original maturity dates were in excess of three months.

	GROUP	
	2018	2017
CASH AND CASH EQUIVALENTS	\$000	\$000
Current and money market accounts	18,784	16,777
Short-term bank term deposits	546	980
<b>Total cash and cash equivalents</b>	<b>19,330</b>	<b>17,757</b>

	GROUP	
	2018	2017
	\$000	\$000
<b>RECONCILIATION OF NET PROFIT AFTER TAX TO</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net (loss)/profit after income tax</b>	<b>(1,863)</b>	<b>33,418</b>
<i>Adjustments for operating activities non-cash items</i>		
Depreciation, amortisation and impairment	2,051	2,112
Movement in doubtful debts provision	734	-
Write-off to bad debts	-	(53)
Share of associates and joint ventures losses/(profit)	96	(311)
Foreign exchange gains/(losses)	84	(383)
Non-cash portion of interest income	(137)	326
Non-cash portion of interest expense	642	38
	<b>3,470</b>	<b>1,729</b>
<i>Changes in working capital items</i>		
(Increase)/decrease in trade and other receivables	(14,188)	(6,462)
Decrease/(increase) in prepayments	300	(130)
(Decrease)/increase in trade and other payables	(1,442)	(141)
(Decrease)/increase in provisions and player payment variation account	(3,540)	22,541
Decrease in income in advance	(663)	(22,354)
	<b>(19,533)</b>	<b>(6,546)</b>
<i>Items classified as financing activities</i>		
Effect of exchange rate change on foreign currency balances	38	(508)
<b>Cash flow from operating activities</b>	<b>(17,888)</b>	<b>28,093</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 equivalents.

## B5 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.

	GROUP	
	2018	2017
	\$000	\$000
<b>TERM INVESTMENTS</b>		
Short-term bank term deposits	70,500	79,000
Long-term bank term deposits	-	15,000
<b>Total term investments</b>	<b>70,500</b>	<b>94,000</b>

## B6 TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortised cost less impairment. Allowances for estimated unrecoverable amounts are recognised in profit or loss when there is objective evidence that the receivable is impaired. An allowance of \$734,000 has been made for estimated unrecoverable trade receivables (2017: Nil).

Included in trade receivables are debtors with a carrying value of \$1.620m (2017: \$852,000) 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.

There were no trade receivables written off during the year (2017: \$53,000).

	GROUP	
	2018	2017
	\$000	\$000
<b>TRADE AND OTHER RECEIVABLES</b>		
Trade receivables *	48,403	37,713
Trade receivable accruals	18,585	14,218
Less: Provision for doubtful debts	(734)	-
<b>Total trade receivables</b>	<b>66,254</b>	<b>51,931</b>
Other receivables	9	21
<b>Total trade and other receivables</b>	<b>66,263</b>	<b>51,952</b>
<i>Current</i>	63,216	47,294
<i>Non-current</i>	3,047	4,658



**MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS**

Opening provision	-	(53)
Provision created during the year	(734)	-
Write-offs to bad debts during the year	-	53
<b>Closing provision for doubtful debts</b>	<b>(734)</b>	<b>-</b>

**AGING OF PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES**

60 - 90 days	584	17
91 - 120 days	767	55
121+ days	269	780
<b>Total past due but not impaired trade receivables</b>	<b>1,620</b>	<b>852</b>

\* Included in trade receivables are receivables from non-exchange income of \$Nil (2017: \$380,000)

**B7 LOANS AND ADVANCES**

Loan and advances are measured at cost less impairment. Allowances for estimated unrecoverable amounts are recognised in profit or loss 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 2018 (2017: Nil).

	GROUP	
	2018	2017
	\$000	\$000
<b>LOANS AND ADVANCES</b>		
<b>Current loans</b>		
Provincial Unions	149	342
Super Rugby Clubs	26	-
<b>Total current loans and advances</b>	<b>175</b>	<b>342</b>
<b>Non-current loans</b>		
Provincial Unions	350	42
Super Rugby Clubs	387	-
<b>Total non-current loans and advances</b>	<b>737</b>	<b>42</b>
<b>Total loans and advances</b>	<b>912</b>	<b>384</b>

New Zealand Rugby received \$239,000 (2017: \$383,000) of loan repayments and provided further loans of \$355,000 (2017: Nil) to Provincial Unions during the year. Interest of \$15,000 (2017: \$12,000) was charged on all loans to Provincial Unions.

As part of New Zealand Rugby's investment in the Blues Limited Partnership, New Zealand Rugby has taken over a loan provided to the Super Rugby club in 2016 at an interest rate of 0%. The loan has been recorded in the financial statements initially at fair value.

**B8 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.

	GROUP	
	2018	2017
	\$000	\$000
<b>TRADE AND OTHER PAYABLES</b>		
Trade payables	399	1,764
Employee entitlements	4,451	4,500
Goods and services tax (GST) payable	1,448	1,387
Other payables and accruals	3,813	3,902
<b>Total trade and other payables</b>	<b>10,111</b>	<b>11,553</b>

\* Included in trade and other payables are payables from non-exchange income of \$284,000 (2017: \$504,000)

## 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:

- outlining New Zealand Rugby's approach to financial risk management; and
- 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 is reviewed on a regular basis. New Zealand Rugby does not enter into or trade financial instruments for speculative purposes.

#### Foreign currency risk management

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

It is the policy of New Zealand Rugby to enter into foreign currency forward exchange contracts to cover known and contracted foreign currency receipts or payments. The fair value of all forward exchange contracts at year end are set out below.

	GROUP	
	2018	2017
	\$000	\$000
<b>FINANCIAL INSTRUMENTS FAIR VALUE</b>		
<b>Assets</b>		
Current foreign currency forward contracts	11,377	12,041
Non-current foreign currency forward contracts	5,859	20,508
<b>Total assets</b>	<b>17,236</b>	<b>32,549</b>
<b>Liabilities</b>		
Current foreign currency forward contracts	902	410
Non-current foreign currency forward contracts	1,950	2,281
<b>Total liabilities</b>	<b>2,852</b>	<b>2,691</b>
<b>Total fair value of financial instruments</b>	<b>14,384</b>	<b>29,858</b>

All foreign currency forward contracts in place at year end are set out in the table below.

OUTSTANDING CONTRACTS	FORWARD FOREIGN EXCHANGE CONTRACTS								
	AVERAGE FORWARD EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE		
	2018	2017	2018	2017	2018	2017	2018	2017	
				FC'000	FC'000	\$000	\$000	\$000	\$000
<b>Sell US dollar</b>									
< 1 year	0.6462	0.6517	52,446	51,098	81,161	78,402	3,378	6,143	
1 - 2 years	0.6431	0.6419	54,871	46,916	85,322	73,094	4,122	6,432	
2 - 3 years	0.6849	0.6368	11,200	47,009	16,354	73,818	(158)	6,558	
3 - 4 years	0.6737	0.6813	9,800	9,800	14,546	14,384	73	325	
4 - 5 years	0.6710	0.6737	9,800	9,800	14,605	14,546	94	323	
5+ years	0.6500	0.6561	3,500	10,500	5,385	16,004	165	490	
<b>Sell Euro</b>									
< 1 year	0.4465	0.4609	10,711	10,661	23,991	23,131	5,596	4,974	
1 - 2 years	0.5729	0.4461	10,021	10,669	17,492	23,917	(126)	5,107	
2 - 3 years	0.5656	0.5729	6,200	10,021	10,962	17,492	(189)	(541)	
3 - 4 years	0.5551	0.5689	5,425	5,425	9,773	9,535	(225)	(486)	
4 - 5 years	0.5268	0.5551	5,425	5,425	10,298	9,773	28	(542)	
5+ years	-	0.5327	-	3,875	-	7,275	-	(332)	
<b>Sell British pound</b>									
< 1 year	0.4624	0.4970	6,213	3,157	13,435	6,353	1,529	514	
1 - 2 years	0.5055	0.4623	2,421	4,843	4,788	10,478	126	911	
2 - 3 years	-	0.5056	-	2,386	-	4,719	-	(18)	
<b>Sell Yen</b>									
< 1 year	73.2448	-	157,500	-	2,150	-	(24)	-	
<b>Buy Australian dollar</b>									
< 1 year	0.9483	-	949	-	900	-	(5)	-	
<b>Total forward foreign exchange contracts</b>					<b>311,162</b>	<b>382,921</b>	<b>14,384</b>	<b>29,858</b>	



In 2008 New Zealand Rugby entered into certain forward foreign exchange contracts to hedge a percentage of known and contracted future cash flows for a period of up to eleven years. The banking facility covenant requires that if at any time the aggregate of the mark-to-market values (expressed in New Zealand dollars) of all foreign exchange and interest rate transactions with this bank exceeds an out-of-the-money position for New Zealand Rugby of \$20m, New Zealand Rugby must transfer title of cash or securities of an amount at least equal to the difference between the actual out-of-the-money position and \$20m. New Zealand Rugby are currently within the terms of this covenant.

### Interest rate risk management

Interest rate risk is the risk that the value of New Zealand Rugby's assets will fluctuate due to the changes in market interest rates. New Zealand Rugby is exposed to interest rate risk primarily through its cash balances, loans and advances and investments. The interest reset date for cash and cash equivalents is less than 1 year. The interest reset date for loans and advances is the same as the contractual maturity dates.

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	2018 GROUP \$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	1.28%	19,651	-	-	-	19,651
Term investments	3.52%	72,984	-	-	-	72,984
Trade and other receivables		63,216	3,047	-	-	66,263
Loans and advances	1.99%	152	357	-	-	509
Financial instruments		11,448	5,392	488	184	17,512
<b>Total financial assets</b>		<b>167,451</b>	<b>8,796</b>	<b>488</b>	<b>184</b>	<b>176,919</b>
<b>Financial liabilities</b>						
Trade and other payables		10,102	-	-	-	10,102
Benevolent and welfare fund	1.45%	2,118	-	-	-	2,118
Player payment variation account	3.20%	5,922	4,829	9,897	-	20,648
Financial instruments		909	1,149	878	-	2,936
<b>Total financial liabilities</b>		<b>19,051</b>	<b>5,978</b>	<b>10,775</b>	<b>-</b>	<b>35,804</b>

MATURITY PROFILE	2017 GROUP \$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	1.48%	18,065	-	-	-	18,065
Term investments	3.60%	81,854	15,529	-	-	97,383
Trade and other receivables		47,294	4,658	-	-	51,952
Loans and advances	1.98%	349	42	-	-	391
Financial instruments		12,113	12,964	7,853	570	33,500
<b>Total financial assets</b>		<b>159,675</b>	<b>33,193</b>	<b>7,853</b>	<b>570</b>	<b>201,291</b>
<b>Financial liabilities</b>						
Trade and other payables		11,542	-	-	-	11,542
Benevolent and welfare fund	1.45%	2,514	-	-	-	2,514
Player payment variation account		2,669	20,238	-	-	22,907
Financial instruments		412	161	1,922	381	2,876
<b>Total financial liabilities</b>		<b>17,137</b>	<b>20,399</b>	<b>1,922</b>	<b>381</b>	<b>39,839</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, 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 and retained earnings, which includes cash and other financial instruments. The Board reviews the capital structure annually whilst updating New Zealand Rugby's Investment Policy. New Zealand Rugby's overall strategy remains unchanged from the prior year.



## C2 FINANCIAL INSTRUMENTS

### Financial instrument recognition

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.

### Cash flow hedge

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.

### Fair value of hedging financial instruments

The recognition and measurement of hedging financial instruments require 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. The method of valuation uses predominantly Reuters data provided by an external treasury specialist. There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2018 (2017: 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:

	GROUP	
	2018	2017
	\$000	\$000
<b>MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>		
<b>Assets</b>		
United States dollars	25,539	20,456
Euros	14,093	17,537
British pounds	2,739	28
Australian dollars	575	2,449
Canadian Dollars	34	129
Japanese Yen	933	-
<b>Total monetary assets denominated in foreign currency</b>	<b>43,913</b>	<b>40,599</b>
<b>Liabilities</b>		
United States dollars	14,497	13,610
Euros	13,248	13,816
British pounds	-	87
Australian dollars	8	34
Canadian Dollars	34	21
Japanese Yen	260	-
<b>Total monetary assets denominated in foreign currency</b>	<b>28,047</b>	<b>27,568</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%.

	SENSITIVITY	INTEREST RATE		EXCHANGE RATE		
		2018	2017	2018	2017	
		\$000	\$000	\$000	\$000	
Impact on profit	+/- 100 bps	886	1,306	+/- 10%	3,585	4,224
Impact on equity	+/- 100 bps	886	1,306	+/- 10%	32,669	38,273

## 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 and joint ventures.

### 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	
		2018	2017
<b>New Zealand Rugby Union Incorporated</b>			
└ New Zealand Rugby Promotions Limited	New Zealand	100%	100%
└ Computerised Match Ticketing Limited	New Zealand	100%	100%

### 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 except for the New Zealand International Sevens 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 has been proportionally consolidated whereby New Zealand recognises its proportionate share of income and expenditure in the income statement. A list of associates and joint ventures is disclosed below:

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASSIFICATION	INTEREST HELD	
			2018	2017
Blues Limited Partnership	New Zealand	Associate	40%	0%
Highlanders Rugby Club Limited Partnership	New Zealand	Associate	10%	10%
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 Venture	75%	75%
SANZAAR	n/a	Joint Venture	25%	25%

**Blues Limited Partnership** owns the license to operate the Blues Super Rugby team in the Investec Super Rugby competition. During the year New Zealand Rugby acquired a 40% shareholding in the Blues Limited Partnership which has a balance date of 31 August.

**Highlanders Rugby Club Limited Partnership** owns the license to operate the Highlanders Super Rugby team in the Investec Super Rugby competition. The Highlanders Limited Partnership has a balance date of 31 August.

**SANZAR Europe s.a.r.l.** is a company used to facilitate the sale of broadcast rights into European markets in a tax efficient manner. 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 \$3.710m (2017: \$3.477m) 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 Investec Rugby Championship and Investec Super Rugby competitions. The company is jointly owned by New Zealand Rugby, Rugby Australia and SA Rugby. SANZAR Pty Limited has a balance date of 31 December. New Zealand Rugby had management fee transactions of \$1.672m (2017: \$1.453m) with SANZAR Pty Limited during the year.

**All Blacks Experience Limited Partnership** is a joint venture between New Zealand Rugby and NTT Auckland Tourism Limited which is building an All Blacks themed tourism experience in Auckland. 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 \$4.8m (2017: \$5.1m) of capital to All Blacks Experience Limited Partnership.

**New Zealand International Sevens** is an unincorporated joint venture 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%.

**SANZAAR** is an unincorporated joint venture of the South African, New Zealand, Australian and Argentinian Rugby Unions. The New Zealand, Australian and South African Rugby Unions each share one-third (33%) of the travel costs of the Investec Super Rugby and Investec Rugby Championship through the unincorporated joint venture.

	GROUP	
	2018	2017
	\$000	\$000
<b>CARRYING VALUE OF ASSOCIATES AND JOINT VENTURES</b>		
Carrying value at beginning of the year	2,316	1,398
Investment	912	-
Share of net (loss)/profit for the year	(96)	311
Change in translation of foreign currency investment	(2)	150
Subsidiary becoming a joint venture	-	457
<b>Total investments in associates and joint ventures</b>	<b>3,130</b>	<b>2,316</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).

GROUP (\$000)	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	OFFICE		TOTAL
			ALTERATIONS AND FIXTURES	COACHING EQUIPMENT	
Cost or fair value	928	177	4,232	560	5,897
Less accumulated depreciation	(523)	(176)	(953)	(366)	(2,018)
<b>Net book value at 31 December 2016</b>	<b>405</b>	<b>1</b>	<b>3,279</b>	<b>194</b>	<b>3,879</b>
Additions	195	58	131	31	415
Impairment Expense	-	-	(607)	-	(607)
Depreciation expense	(260)	(4)	(290)	(72)	(626)
Subsidiary becoming an associate	-	-	(933)	-	(933)
<b>Net book value at 31 December 2017</b>	<b>340</b>	<b>55</b>	<b>1,580</b>	<b>153</b>	<b>2,128</b>
Additions	208	45	8	37	298
Disposals	(7)	-	-	(8)	(15)
Depreciation expense	(230)	(12)	(290)	(71)	(603)
Accumulated depreciation on disposals	3	-	-	8	11
<b>Net book value at 31 December 2018</b>	<b>314</b>	<b>88</b>	<b>1,298</b>	<b>119</b>	<b>1,819</b>
Cost or fair value	1,324	280	2,831	620	5,055
Less accumulated depreciation	(1,010)	(192)	(1,533)	(501)	(3,236)
<b>Net book value at 31 December 2018</b>	<b>314</b>	<b>88</b>	<b>1,298</b>	<b>119</b>	<b>1,819</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	TOTAL
	Cost or fair value	10,000		
Less accumulated amortisation	(3,000)	(2,040)	(5,040)	
<b>Net book value as at 31 December 2016</b>	<b>7,000</b>	<b>532</b>	<b>7,532</b>	
Additions	-	891	891	
Disposals	-	-	-	
Amortisation expenses	(500)	(379)	(879)	
<b>Net book value as at 31 December 2017</b>	<b>6,500</b>	<b>1,044</b>	<b>7,544</b>	
Cost or fair value	10,000	3,463	13,463	
Less accumulated amortisation	(3,500)	(2,419)	(5,919)	
<b>Net book value as at 31 December 2017</b>	<b>6,500</b>	<b>1,044</b>	<b>7,544</b>	
Additions	-	2,159	2,159	
Disposals	-	(661)	(661)	
Amortisation expenses	(500)	(840)	(1,340)	
Accumulated amortisation on disposals	-	661	661	
<b>Net book value as at 31 December 2018</b>	<b>6,000</b>	<b>2,363</b>	<b>8,363</b>	
Cost or fair value	10,000	4,961	14,961	
Less accumulated amortisation	(4,000)	(2,598)	(6,598)	
<b>Net book value as at 31 December 2018</b>	<b>6,000</b>	<b>2,363</b>	<b>8,363</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 pays a lower levy but is responsible for managing and compensating all costs arising from injuries in each cover year. After a number of years, any remaining open claims are 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 assumed loss ratio of 3 percent of liable earnings prior to 1 October 2016 and 2.5 percent thereafter was determined by considering the observed loss ratios for developed loss quarters;
- The projected future payments were discounted for the time value of money based on secondary market Government bond yields as at 19 December 2018.

### 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 Director. 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 2017. 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.

	GROUP	
	2018	2017
	\$000	\$000
<b>PROVISION FOR MEDICAL COSTS</b>		
<b>Provision for medical costs at the start of the year</b>	<b>4,220</b>	<b>3,630</b>
Payments made during the year	(1,341)	(662)
Revaluation of provision	453	696
Outstanding costs incurred in the current year	589	556
<b>Provision for medical costs at the end of the year</b>	<b>3,921</b>	<b>4,220</b>
<i>Current</i>	589	601
<i>Non-current</i>	3,332	3,619



## 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. The players' Collective Employment Agreement is for a three-year term which expired on 31 December 2018. New Zealand Rugby and the Rugby Players Collective are currently renegotiating an extension to the agreement and until this is finalised the existing terms and conditions remain in effect. The Collective Employment Agreement records the intention of both parties to use the player payment variation account surplus in future contract years beyond the expiry date. In 2017 the player payment variation account increased significantly due to the increase in Player Generated Revenue as a result of the DHL New Zealand Lions Series 2017.

	GROUP	
	2018	2017
	\$000	\$000
<b>PLAYER PAYMENT VARIATION ACCOUNT</b>		
<b>Player payment variation account at the start of the year</b>	<b>22,907</b>	<b>972</b>
Movement in player payment variation account	(2,259)	21,935
<b>Player payment variation account at the end of the year</b>	<b>20,648</b>	<b>22,907</b>
<i>Current</i>	5,922	2,669
<i>Non-current</i>	14,726	20,238

## 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.

	GROUP	
	2018	2017
	\$000	\$000
<b>BENEVOLENT AND WELFARE FUND</b>		
<b>Benevolent and Welfare Fund at the start of the year</b>	<b>2,478</b>	<b>2,424</b>
New Zealand Rugby contribution to the Fund	750	700
Payments from the Fund	(1,127)	(684)
Interest received	37	38
<b>Benevolent and Welfare Fund at the end of the year</b>	<b>2,138</b>	<b>2,478</b>

## E4 RELATED PARTIES

### Compensation of key management personnel

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

	GROUP	
	2018	2017
	\$000	\$000
<b>Board member fees</b>	<b>564</b>	<b>561</b>
<b>Chief Executive Officer and Executive Team</b>		
Salaries and short-term benefits	3,655	3,650
<b>Total key management personnel compensation</b>	<b>4,219</b>	<b>4,211</b>

During the year the Chief Executive Officer restructured the Executive team from ten to six full-time equivalent employees. Fees paid or payable to Board members for services as Board members during the year totalled \$564,000 (2017: \$561,000). The balance of Board member fees outstanding at 31 December 2018 was \$142,000 (2017: \$140,000).

### Board Members

Richard Dellabarca is a New Zealand Rugby appointed director on Blues Management Limited and received \$6,000 (2017: Nil) by New Zealand Rugby during the year for these services.

Brent Impey is a director of SANZAR Pty Limited and Chair of the SANZAAR Executive Committee.

Peter Kean is a New Zealand Rugby appointed director of All Blacks Experience Limited Partnership and Highlanders Rugby Club Limited Partnership.

Andrew Golightly is a New Zealand Rugby appointed director of New Zealand Rugby Foundation Incorporated.

Mark Robinson is a member of the World Rugby Executive Committee.



## Employees

Steve Tew (Chief Executive Officer) is a director Rugby World Cup Limited, SANZAR Europe s.a.r.l. and SANZAR Pty Limited. Steve Tew is also a member of the World Rugby Council and SANZAAR Executive Committee.

Nicki Nicol (Chief Operating Officer) is a New Zealand Rugby appointed director of New Zealand Rugby Travel Limited trading as All Blacks Tours. New Zealand Rugby received royalties on rugby tour packages. Nicki Nicol is also an appointed director of All Blacks Experience GP Limited.

## E5 AUDITORS REMUNERATION

	GROUP	
	2018	2017
AUDITOR'S REMUNERATION TO DELOITTE FOR:	\$000	\$000
Audit of the financial statements	95	60
Non-assurance services *	-	17
<b>Total auditor's remuneration</b>	<b>95</b>	<b>77</b>

\* Non-assurance services includes assistance with Provincial Unions transition to new reporting financial reporting standards, test match audits and other agreed upon procedures engagements.

## 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 profit or loss in equal instalments over the term of the lease.

	GROUP	
	2018	2017
OPERATING LEASE COMMITMENTS	\$000	\$000
Less than 1 year	1,560	1,357
Later than 1 year and not later than 2 years	1,526	1,338
Later than 2 years and not later than 5 years	4,367	3,895
More than 5 years	1,473	2,433
<b>Total operating lease commitments</b>	<b>8,926</b>	<b>9,023</b>

## E7 SUBSEQUENT EVENTS

No subsequent event has occurred since balance date that would materially impact the financial statements as at 31 December 2018.

## E8 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2018.

