**From:** Robert Rush
**To:**
**Subject:** Re: Community Affairs References Committee - Rugby - Financial reports [DLM=Sensitive]
**Date:** Friday, 17 November 2017 3:34:11 PM
**Attachments:** 7E9016618.pdf
7E7870475.pdf
7E6901933.pdf
028998224.pdf
028823524.pdf
7E4422746.pdf
029272348.pdf
029103962.pdf
028485824.pdf
026467923.pdf

---

Hi Michael,

Did someone get back to you with the below info? If not my apologies, as I see the report has been released.

If there is anything else we can do, please let me know.

Robert

**Explain how the following companies are incorporated:**

ASIC registers companies under the Corporations Act 2001 (the Act) after receiving an application for registration. The application must comply with section 117 of the Act and it comes into existence as a body corporate on the day it is registered (section 119). ASIC also issues a certificate which states the company's name, ACN, type, that the company is registered under the Act, the date of registration and the State or Territory in which the company is taken to be registered. Companies registered under the Act are incorporated in Australia (section 119A).

Specifically in relation to the two companies in question we can advise:

**Australian Rugby Union Ltd - ACN 002 898 544**

- Australian Rugby Union Ltd was registered as "Australian Rugby Football Union Ltd", a Public company Limited by Guarantee by the NSW Office of the National Companies and Securities Commission on 18 February 1985.
- Their name changed to "AUSTRALIAN RUGBY UNION LIMITED" on 13 December 1995.

**Melbourne Rebels Rugby Union - ACN 140 597 066**

- Melbourne Rebels Rugby Union Pty Ltd was registered as "KERRIMILL PTY LTD", a Proprietary company Limited by Shares by ASIC on 17 November 2009.
- The registration document for the company was lodged electronically by CASTLE CORPORATE PTY LTD.
- Their name changed to "MELBOURNE REBELS RUGBY UNION PTY LTD" on 29 January 2010.
- Their type changed to a Public company and their name to "MELBOURNE REBELS RUGBY UNION LTD" on 1 July 2010.
- Their type changed to a Proprietary company and their name to "MELBOURNE REBELS RUGBY UNION PTY LTD" on 14 August 2015.

The Documents as requested can be found in the tables below.

**Australian Rugby Union Ltd – ACN 002 898 544**

| Date | Document No. | Document type | Page | Documents |
|---|---|---|---|---|
| 2/05/2017 | 7E9016618 | Financial Report Financial Report - Pub Co Ltd By Guarantee Qual Under Tier 2 (FR 2016) (388L) | 40 | |
| 13/04/2016 | 7E7870475 | Financial Report Financial Report - Pub Co Ltd By Guarantee Qual Under Tier 2 (FR 2015) (388L) | 40 | |
| 24/04/2015 | 7E6901933 | Financial Report Financial Report - Pub Co Ltd By Guarantee Qual Under Tier 2 (FR 2014) (388L) | 34 | |
| 26/08/2014 | 028998224 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2013) (388A) | 37 | |
| 20/01/2014 | 028823524 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2012) (388A) | 19 | |
| 30/04/2012 | 7E4422746 | Financial Report Financial Report - Pub Co Ltd By Guarantee Qual Under Tier 2 (FR 2011) (388L) | 31 | |

**Melbourne Rebels Rugby Union Pty Ltd – ACN 140 597 066**

| Date | Document No. | Document type | Pages | Documents |
|---|---|---|---|---|
| 18/05/2015 | 029272348 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2014) (388A) | 33 | |
| 6/02/2015 | 029103962 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2013) (388A) | 32 | |
| 28/06/2013 | 028485824 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2012) (388A) | 34 | |
| 3/07/2012 | 026467923 | Financial Report Financial Report - Public Company Or Disclosing Entity (FR 2011) (388A) | 36 | |

Robert Rush | Manager - Government Relations | ASIC

**Australian Securities & Investments Commission**

Electronic Lodgement

Document No. **7E4422746**

Lodgement date/time: 30-04-2012 12:08:56
Reference Id: 84207792

**Form 388**
Corporations Act 2001
**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**AUSTRALIAN RUGBY UNION LIMITED**

ACN

**002 898 544**

## Reason for lodgement of statement and reports

A public company limited by guarantee who qualifies under Tier 2

**Dates on which financial year ends**

Financial year end date
**31-12-2011**

## Auditor's report

Were the financial statements audited or reviewed?

**Audited**

## Details of current auditor or auditors

**Current auditor**

Date of appointment **22-02-1992**

Name of auditor

**KPMG**

Address

**10 SHELLY STREET**
**SYDNEY NSW 2000**

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.
**Yes**

## Signature

Select the capacity in which you are lodging the form
Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.
**Yes**

## Authentication

This form has been submitted by

| | |
|---|---|
| Name | Nicholas Stuart WEEKS |
| Date | 30-04-2012 |

**For more help or information**

| | |
|---|---|
| Web | www.asic.gov.au |
| Ask a question? | www.asic.gov.au/question |
| Telephone | 1300 300 630 |

# Australian Rugby Union Limited

ABN 36 002 898 544

Special Purpose Financial Report
31 December 2011

# Contents

# Directors' report

**For the year ended 31 December 2011**

The Directors of Australian Rugby Union Limited ('the Company') submit herewith their report together with the special purpose financial report of the Company for the year ended 31 December 2011 and the Auditor's report thereon.
In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

The names and particulars of the Directors who held office at any time during or since the end of the financial year are:

| | | |
|---|---|---|
| 1 | Peter McGrath<br>LLB, FAPI MAICD<br>Chairman | Peter joined the Board in April 2005 and was appointed Chairman in April 2007. He is Chairman of the Nominations Committee and a member of the Human Resources Committee. Peter is one of the Australian Rugby Union representatives on the International Rugby Board Council and is a member of the International Rugby Board Executive Committee. He is one of the Australian Rugby Union's delegates to the SANZAR UJV Executive Committee and will take up the position of Chairman of SANZAR from the 1 January 2012. Peter is a solicitor and Partner of Griffin Legal in Canberra, a Solicitor of the ACT Supreme Court and a member of the Law Society of the ACT. Peter is a qualified Valuer and a Fellow of the Australian Property Institute. Peter is also a Fellow of the AICD. |
| 2 | Michael (Mike) Brown<br>B.E (Hons) BSc MIEAust CPEng<br>Non-Executive Director | Mike joined the Board in April 2005 and resigned in April 2011. Mike was Chairman of the Governance and Policy Committee and a member of the Nominations Committee. He is a Civil Engineer with 37 years experience in the Building and Construction Industry. Mike is Chairman of the Rugby Youth Foundation and a former Director of New South Wales Rugby Union. |
| 3 | Mark Connors<br>LLB – Bachelor of Laws,<br>Professional Diploma in Stockbroking<br>Non-Executive Director | Mark joined the Board in April 2007 and is a member of the Audit Committee. He was nominated to the Board by the Rugby Union Players Association (RUPA) having also been a former Executive Committee Member of RUPA. Mark represented Queensland and Australia between 1991 and 2006 and was a member of the 1999 World Cup winning Wallabies team. He is a former practicing lawyer now working as an investment adviser specialising in Australian Equities. |
| 4 | Gen. Peter Cosgrove AC MC<br>FAICD<br>Non-Executive Director | Peter joined the Board in April 2007 and resigned from the Board in April 2010.He was a member of the Nominations Committee and the Human Resources Committee up to October 2009. Peter re-joined the Board in April 2011 and is Chairman of the Governance and Policy Committee and a member of the Nominations Committee. Peter is a Director of Qantas Airways Limited and Cardno Limited, and a Director on a number of other Boards. Peter is a Fellow of the AICD., Chairman of the Defence South Australian Defence Advisory Board and Chairman of the Australian War Memorial Council. Peter retired as the Chief of the Australian Defence Force in 2005. He was Australian of the Year in 2001. |
| 5 | Michael Hawker AM<br>BSc(Syd), FAICD, SF Fin, FAIM<br>Non Executive Director | Mike re-joined the Board in June 2009 and is Chairman of the Audit Committee. He was Managing Director and CEO of Insurance Australia Group (IAG) for seven years, and has over 25 years in the financial services industry. He is currently based in London and is an independent Non-Executive Director of Aviva Plc and Macquarie Group. He is Chairman of the George Institute and an Advisory Board Member of the Hong Kong based private equity firm GEMs. Michael has represented Australia and New South Wales and has been a previous Board Director of Australian Rugby Union and New South Wales Rugby Union. |
| 6 | Richard (Rick) Lee<br>BE(Chem.) MA(Oxon.) FAICD<br>Non-Executive Director | Rick joined the Board in June 2006 and is Chairman of the Human Resources Committee. He was CEO of Rothschild in Australia for nine years. Rick is currently Chairman of Salmat Limited, Deputy Chairman of Ridley Corporation Limited and is a Director of Newcrest Mining Limited. He is also Chairman of the Australian Institute of Company Directors. |

| | | |
|---|---|---|
| 7 | Richard (Dick) McGruther OBE<br>FCA AAICD<br>Non-Executive Director | Dick McGruther re-joined the Board in September 2009 and resigned in April 2011. Dick was Chairman of the Audit Committee and a member of the Nominations Committee. He is a Chartered Accountant and a consultant with Bentleys Chartered Accountants, after extensive services as a Partner of the firm. Dick is also Deputy Chairman of Watpac. He is a former International Rugby Board representative, Chairman and President of Queensland Rugby Union and was Australian Rugby Union Chairman from 1996 until 1998. |
| 8 | John Mumm<br>MCom(Hons), FAICD<br>Non-Executive Director | John joined the Board in November 2007 and is a member of the Audit Committee and Human Resources Committee. He was a member of the Nominations Committee up to October 2009. John is currently Chairman of Spencer Stuart in Australasia and a former Director of the firm's global board. He is also a member of the Buildcorp Group Advisory Board. |
| 9 | John O'Neill AO<br>DipLaw(Syd) FAIB FAICD<br>Managing Director & CEO | John re-joined the Board in June 2007, having previously served as Managing Director (MD) & CEO in 1995 – 2004. He is a member of the Governance and Policy Committee and the Nominations Committee. John is one of Australian Rugby Union's delegates on the International Rugby Board Council and a member of the SANZAR UJV Executive Committee. John is a Director of Echo Entertainment Limited. He is a former CEO of Football Federation Australia from 2004 to 2006, former Chairman of Events New South Wales and was MD & CEO of the State Bank of NSW, from 1987 to 1995. John is a qualified solicitor, and a Foundation Fellow of the Australian Institute of Company Directors and a Fellow of the Australia Institute of Bankers. |
| 10 | John Eales AM<br>Non-Executive Director | John joined the Board in April 2010 and is a member of the Nominations Committee. John participated in two successful World Cup campaigns; captained the Wallabies in victories including the 1999 World Cup; led Australia through three Bledisloe Cup wins and two successful seasons of Tri-Nations fixtures and also led the Wallabies to the first series victory over the British and Irish Lions.<br><br>John is a founding Partner of Mettle Group, which was acquired by publicly-listed company Chandler Macleod, for whom he continues in an executive role. John is a director of International Quarterback, a corporate hospitality and event management firm; GRM International, a project management firm in the field of international aid and development; and the Sports Australia Hall of Fame. John is an Ambassador for Qantas, Lexus and the Australian Indigenous Education Foundation. In 2004 and 2008 (and again for London in 2012) John attended the Olympics as an Athlete Liaison Officer for the Australian Team. |
| 11 | Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon)<br>Non-Executive Director | Brett joined the ARU Board in April 2011. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and in total, played 16 test matches for the national rugby union team. From 2002 to 2005 he was the General Manager of Australian Rugby Union's High Performance Unit.<br>Brett has recently been appointed to the role of Managing Director & CEO of the Integrated Oncology Network (ICON) to lead the expansion of their day oncology network and to deliver on a vision to establish comprehensive cancer services nationally. Prior to this Brett was the Australian CEO for Mondial Assistance and this was preceded by executive management roles with Insurance Australia Group (IAG), with responsibility for its key brands of NRMA, CGU and Swann in QLD.<br><br>Brett is registered to practice in Queensland and continues to assist Orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research and supervises a PhD student at the ANU. |

## 2. Company Secretary

Ashley Selwood B.Bus, MBA, FCPA, ACIS was appointed Company Secretary in May 1998 and has held the position until his resignation on 16th September 2011. Ashley is a member of Chartered Secretaries Australia.

Nick Weeks B.Com, LLB (Hons), joined the Company in 2006 and was appointed Company Secretary in 2007. He held the role as an alternate until Ashley Resigned in September 2011. Since Ashley's resignation he takes on primary capacity of the role. In addition to Nick's role as Company Secretary he is the Company's General Manager of Strategy, Corporate Affairs and Legal. Before joining the ARU, Nick worked with Allens Arthur Robinson in Sydney and Cravath, Swaine & Moore LLP in New York.

## 3. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| **Director** | **Board Meetings** | | **Audit Committee Meetings** | | **Human Resources Committee Meetings** | | **Governance & Policy Committee Meetings** | | **Nominations Committee Meetings** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr P McGrath | 7 | 7 | | | 2 | 2 | | | | |
| Mr M Brown | 2 | 2 | | | | | | | | |
| Mr M Connors | 7 | 7 | 3 | 3 | | | | | | |
| Gen. P Cosgrove | 4 | 5 | | | | | | | | |
| Mr J Eales | 6 | 7 | | | | | | | | |
| Mr R Lee | 7 | 7 | | | 2 | 2 | | | | |
| Mr J Mumm | 7 | 7 | 3 | 3 | 2 | 2 | | | | |
| Mr J O'Neill | 7 | 7 | | | | | | | | |
| Mr R McGruther | 2 | 2 | 1 | 1 | | | | | | |
| Mr M Hawker | 7 | 7 | 2 | 2 | | | | | | |
| Dr B Robinson | 4 | 5 | | | | | | | | |

A - Number of Meetings Attended
B - Reflects the number of meetings held during the time the Director held office during the year

## 4. Principal activities

The Company's principal activities in the financial year were the promotion, efficiency, progress, development and general governance of the game of rugby.

No significant change in the nature of this activity occurred during the year.

*The Special Executive Committee (SEC)* of the Queensland Rugby Union (QRU) was established as a requirement of the Facility Agreement between the Company and QRU. The Committee is made up of appointments from both companies. The Company's appointments on the Committee include: one Non-Executive Director, the Company's Managing Director and two Executives of the Company.

The Committee met nine times during the year.

## 5. Review of operations

The operating deficit for the financial year before allocations and other payments to Member Unions was a deficit of $2,337,000 (2010: surplus $7,146,000).

The deficit, and the significant variance from the 2010 surplus, was a direct result of the IRB's scheduling of Rugby World Cup 2011 in New Zealand which materially impacted current year net revenues. With no June inbound test series and a truncated Tri-Nations series, there were four less home test matches for the Wallabies to generate revenues. The direct financial impost of this reduced schedule was $16m with reductions in matchday and broadcast revenues being the major contributors. However, through the 2011 budget process ARU Board and management instigated certain initiatives to significantly mitigate the impact of this substantially reduced schedule.

Allocations to Member Unions for coaching and development were $5,185,000 (2010:$6,080,000).

The net deficit for the financial year after allocations and other payments to Member Unions was $7,522,000 (2010: surplus $1,066,000).

## 6. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 7. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

## 8. Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses and liabilities incurred by the person as an officer of the Company incurred in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or in relation to such proceedings in which the Court grants relief to the person under the Corporations Act 2001.

In respect to this indemnity, the Company has paid insurance premiums of $20,000 in respect of Directors and Officers of the Company. The insurance policies do not contain details of the premiums paid in respect of individual Directors or Officers of the Company.

## 9. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 31 December 2011.

## 10. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

By order of the Board

| | |
|---|---|
| **P. McGrath** | **J. O'Neill** |
| Director | Director |

Dated at Sydney this 30th day of March 2012.

# Lead auditor’s independence declaration

***Lead Auditor’s Independence Declaration under Section 307C of the Corporation Act 2001***

To: the directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, during the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

30 March 2012

# Income statement

## For the year ended 31 December 2011

| | *Note* | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Broadcasting licence fees | | 28,160 | 20,286 |
| Sponsorships | | 21,212 | 23,039 |
| Net gate takings | | 9,935 | 20,679 |
| Corporate hospitality | | 2,543 | 4,042 |
| Licensing revenue | | 1,483 | 1,215 |
| Government grants | | 1,235 | 339 |
| Affiliation fees | | - | 21 |
| IRB grants | | 4,207 | 2,204 |
| Other income | | 26 | 249 |
| **Total revenue** | | **68,801** | **72,074** |
| **Operating expenditure** | | | |
| Commercial operations | | 12,876 | 12,366 |
| Corporate services | | 7,611 | 8,652 |
| Community rugby | | 3,623 | 3,274 |
| High performance and National teams | | 11,255 | 11,584 |
| Super Rugby grants and player payments | | 33,709 | 30,537 |
| SANZAR costs | | 3,830 | 3,382 |
| **Total operating expenditure** | | **72,904** | **69,795** |
| **Operating surplus/(deficit) before financing income** | | **(4,103)** | **2,279** |
| Dividends received | | 1 | 47 |
| Foreign exchange gain/(loss) | | 891 | 4,330 |
| Net interest income/(expense) | | 956 | 643 |
| **Financing income/(expense)** | | **1,848** | **5,020** |
| **Surplus/(deficit) after financing income** | | **(2,255)** | **7,299** |
| Share of profit/(loss) of jointly controlled entity | *21i* | (82) | (153) |
| **Surplus/(deficit) before tax** | | **(2,337)** | **7,146** |
| Income tax expense | *4* | - | - |
| **Surplus/(deficit) for the period** | | **(2,337)** | **7,146** |
| Allocations to Member Unions & Affiliates | *17* | (5,185) | (6,080) |
| **Net surplus/(deficit) for the period** | **22(a)** | **(7,522)** | **1,066** |

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

# Statement of comprehensive income

## For the year ended 31 December 2011

| | Note | 2011<br>$'000 | 2010<br>$'000 |
|---|---|---|---|
| **Surplus/(deficit) for the period** | | **(7,522)** | **1,066** |
| **Other comprehensive income** | | | |
| Net change in fair value of cash flow hedges transferred to profit and loss | | (5,694) | 2,370 |
| Net change in fair value of cash flow hedges taken to equity | | - | 6,021 |
| Revaluation of property, plant and equipment | *9* | 40 | - |
| **Total other comprehensive income for the period** | | **(5,654)** | **8,391** |
| **Total comprehensive income for the period** | | **(13,176)** | **9,457** |

There were no movements in equity arising from transactions with owners as owners.

*The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.*

# Statement of financial position

## As at 31 December 2011

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 5,474 | 21,317 |
| Trade and other receivables | 6 | 16,137 | 9,691 |
| Other assets | 7 | 681 | 1,080 |
| Financial assets | 8 | 1,702 | 8,704 |
| **Total current assets** | | **23,994** | **40,792** |
| **Non-current assets** | | | |
| Trade and other receivables | 6 | 5,784 | 1,670 |
| Property, plant and equipment | 9 | 1,514 | 1,309 |
| Intangible assets | 10 | 1,383 | - |
| Financial assets | 8 | 609 | - |
| Investment in Joint Venture | 11 | 1,022 | 311 |
| **Total non-current assets** | | **10,312** | **3,290** |
| **Total assets** | | **34,306** | **44,082** |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 7,675 | 6,476 |
| Deferred revenue | 13 | 4,430 | 7,612 |
| Employee benefits | 15 | 779 | 506 |
| Financial liabilities | 16 | 35 | - |
| **Total current liabilities** | | **12,919** | **14,594** |
| **Non-current liabilities** | | | |
| Deferred revenue | 13 | 4,978 | - |
| Other liabilities | 14 | 200 | 200 |
| Employee benefits | 15 | 191 | 136 |
| Financial liabilities | 16 | 42 | - |
| **Total non-current liabilities** | | **5,411** | **336** |
| **Total liabilities** | | **18,330** | **14,930** |
| **Net assets** | | **15,976** | **29,152** |
| **Equity** | | | |
| Retained surplus | | 8,403 | 15,925 |
| Realised cash flow hedge reserve | | 6,021 | 6,021 |
| **Total capital position** | | **14,424** | **21,946** |
| Asset revaluation reserve | | 903 | 863 |
| Unrealised cash flow hedge reserve | | 649 | 6,343 |
| **Total equity** | | **15,976** | **29,152** |

*The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.*

## Statement of changes in equity

### For the year ended 31 December 2011

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cash flow hedge reserve realised* | | *Cash flow hedge reserve unrealised* | | *Contributed equity* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ***2011 $'000*** | ***2010 $'000*** | ***2011 $'000*** | ***2010 $'000*** | ***2011 $'000*** | ***2010 $'000*** | ***2011 $'000*** | ***2010 $'000*** | ***2011 $'000*** | ***2010 $'000*** | ***2011 $'000*** | ***2010 $'000*** |
| *Balance at beginning of period* | 15,925 | 14,859 | 863 | 863 | 6,021 | - | 6,343 | 3,973 | - | - | 29,152 | 19,695 |
| ***Total comprehensive income for the period*** | | | | | | | | | | | | |
| *Net surplus/(deficit) for the year* | (7,522) | 1,066 | - | - | - | - | - | - | - | - | (7,522) | 1,066 |
| ***Other comprehensive income*** | | | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | - | - | (5,694) | 2,370 | - | - | (5,694) | 2,370 |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | 6,021 | - | - | - | - | - | 6,021 |
| *Revaluation of property, plant and equipment* | - | - | 40 | - | - | - | - | - | - | - | 40 | - |
| ***Total comprehensive income for the period*** | **(7,522)** | **1,066** | **40** | **-** | **-** | **6,021** | **(5,694)** | **2,370** | **-** | **-** | **(13,176)** | **9,457** |
| ***Balance at end of period*** | **8,403** | **15,925** | **903** | **863** | **6,021** | **6,021** | **649** | **6,343** | **-** | **-** | **15,976** | **29,152** |

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

The Company is a Company Limited by guarantee and, in the event of the winding up of the Company, members may be required to contribute a maximum of $100 each.

# Statement of cash flows

## For the year ended 31 December 2011

| | Note | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 54,200 | 68,998 |
| Cash payments in the course of operations | | (64,442) | (60,829) |
| **Net cash provided by/(used in) operating activities** | *22(a)* | **(10,242)** | **8,169** |
| **Cash flows from investing activities** | | | |
| Dividends received | | 1 | 47 |
| Net interest received | | 1,031 | 643 |
| Proceeds from sale of property, plant and equipment | | - | - |
| Proceeds from sale of shares | | - | 1,554 |
| Payments for property, plant and equipment | | (425) | (234) |
| Payments for intangibles | | (1,400) | - |
| **Net cash provided by/(used in) investing activities** | | **(793)** | **2,010** |
| **Cash flows from financing activities** | | | |
| Payments for foreign exchange options | | - | (1,821) |
| Proceeds from sale foreign exchange contracts | | - | 6,021 |
| Proceeds from sale of options | | 377 | - |
| Allocations to Member Unions & Affiliates | | (5,185) | (6,080) |
| **Net cash (used in)/ from financing activities** | | **(4,808)** | **(1,880)** |
| **Net increase/(decrease) in cash held** | | **(15,843)** | **8,299** |
| Cash at beginning of year | | 21,317 | 13,018 |
| **Cash at end of year** | *22(b)* | **5,474** | **21,317** |

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

## Note 1. Statement of significant accounting policies (continued)

Australian Rugby Union Limited (the 'Company') is a company domiciled in Australia. In the opinion of the directors it is not a reporting entity as there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001. This special purpose financial report was authorised for issue by the directors on 30th March 2012.

### (a) Statement of compliance

The financial report is a special purpose financial report which has been prepared in accordance with the Corporations Act 2001, the recognition and measurement aspects of all applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB'), the disclosure requirements of AASB101 *Presentation of Financial Statements*, AASB107 *Cash Flow Statements*, AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB1048 *Interpretation and Application of Standards*.

### (b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial report.

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

### (c) Changes in accounting policy

In the current year, the Company has not adopted any revised standards issued by the Australian Accounting Standards Board (AASB) as none are relevant to its operations in the current financial year.

### (d) Associates and Joint Ventures

In the financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

## Note 1. Statement of significant accounting policies (continued)

The entity's share of the jointly controlled entity's net profit or loss is recognised in the income statement from the date joint control commenced until the date joint control ceases.

## (e) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

## (f) Financial instruments

### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### ii Financial assets at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

## (g) Hedging

### Cash flow hedges

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

## Note 1. Statement of significant accounting policies (continued)

### (g) Hedging *(continued)*

#### Cash flow hedges (continued)

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

### (h) Property, plant and equipment

#### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

#### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

## Note 1. Statement of significant accounting policies (continued)

### (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement.

### (j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

### (k) Consumables

Stocks of coaching manuals, law books and other items which are held for resale are recognised as consumables. Consumables also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business.

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other consumables is based on the first-in first-out principle and includes expenditure incurred in acquiring the consumables and bringing them to their existing location and condition.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cashflows.

### (m) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (m) i).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

## Note 1. Statement of significant accounting policies (continued)

### (m) Impairment *(continued)*

#### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (n) Employee benefits

#### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

#### iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

### (o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.

## Note 1. Statement of significant accounting policies (continued)

### (q) Revenue

#### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales. Broadcasting and sponsorship revenue is recognised in line with the terms specified in the relevant contracts. Revenue from ticket sales is recognised at the time the match is played. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

#### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant.

### (r) Expenses

#### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

#### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### (s) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

### (t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# Notes to the financial statements

**For the year ended 31 December 2011**

## Note 2. Other expenses

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Employee benefits** | | |
| Wages and salaries | 12,848 | 11,439 |
| Superannuation | 974 | 898 |
| **Total employee benefits** | **13,822** | **12,337** |
| | | |
| Amortisation | 17 | - |
| Depreciation of Plant and equipment | 261 | 210 |
| **Total amortisation and depreciation** | **278** | **210** |
| | | |
| Net (benefit) from movements in provision for employee entitlements | 328 | 170 |
| Operating lease rental expense payments | 1,609 | 1,412 |

## Note 3. Auditors' remuneration

| | $ | $ |
|---|---|---|
| **Audit services** | | |
| Auditors of the Company - KPMG | | |
| Audit of the financial report – current | 54,550 | 68,400 |
| | | |
| **Other services** | | |
| Auditors of the Company – KPMG | | |
| Other assurance services | 6,800 | 4,200 |
| | **61,350** | **72,600** |

## Note 4. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997.The Company did not have any Tax Expense from revenue earned from overseas activities.

## Note 5. Cash and cash equivalents

| | $'000 | $'000 |
|---|---|---|
| Cash at bank and on hand | 3,435 | 11,826 |
| Cash on deposit | 2,039 | 9,491 |
| Cash and cash equivalents in the statement of cash flows | **5,474** | **21,317** |

## Note 6. Trade and other receivables

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 8,190 | 3,602 |
| Member unions receivables | 108 | 404 |
| Loan to Queensland Rugby Union ** | 783 | 820 |
| Other receivables | 7,056 | 4,865 |
| | **16,137** | **9,691** |
| **Non-current** | | |
| Loans to Member Unions: | **$'000** | **$'000** |
| ACT Rugby Union | 427 | 427 |
| Northern Territory Rugby Union | 80 | 80 |
| Queensland Rugby Union ** | 750 | 1,270 |
| South Australian Rugby Union | - | 42 |
| Tasmanian Rugby Union | 17 | 17 |
| Other receivables | 4,634 | - |
| Provision for doubtful debts | (124) | (166) |
| | **5,784** | **1,670** |

** The Company extended a 4 year interest bearing facility of $3,000,000 to Queensland Rugby Union (QRU). The loan commenced on 13th August 2010 and is secured by a second right of charge being the real property mortgage over Ballymore and repayable in annual $750,000 tranches. At 31st December 2011 the loan was drawn to $1,500,000. Post 31 December 2011, the QRU has formally indicated their intention to repay the loan in full in 2012 and expire the facility with the Company.

## Note 7. Other assets

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Consumables | 66 | 66 |
| Prepayments | 615 | 1,014 |
| | **681** | **1,080** |

## Note 8. Financial assets

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Foreign exchange options* | 1,662 | 1,671 |
| Foreign exchange forward contracts | 40 | 7,033 |
| | **1,702** | **8,704** |
| **Non-Current** | | |
| Foreign exchange forward contracts | 609 | - |
| | **609** | **-** |

* The foreign exchange options refer to the fair value of USD currency options at 31st December 2011 at a strike price of $1.05. The options purchase is intended to hedge the exposure to any adverse effects of foreign currency (AUD/USD) volatility in relation to broadcasting revenue to be received between 2012 and 2015.

## Note 9. Property, plant and equipment

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Memorabilia | | |
| At fair value | 927 | 887 |
| Accumulated depreciation | (45) | (22) |
| **Total memorabilia** | **882** | **865** |
| | | |
| Plant and equipment | | |
| At cost | 2,095 | 2,111 |
| Accumulated depreciation | (1,463) | (1,667) |
| **Total plant and equipment** | **632** | **444** |
| **Total property, plant and equipment (net book value)** | **1,514** | **1,309** |

During 2011, additional memorabilia assets were donated to the company and have been independently valued at $40,100 by a valuations specialist.

## Note 10. Intangibles

| | $'000 | $'000 |
|---|---|---|
| Intellectual Property * | 1,300 | - |
| Software ** | 100 | - |
| Accumulated amortisation | (17) | - |
| | **1,383** | **-** |

* In 2011, the Company acquired the intellectual property rights of the Melbourne Rebels' Club property in respect of the Super Rugby competition at a cost of $1,300,000. The Board have determined an indefinite useful life for the intangible asset; as a result, it will be tested annually for impairment. At 31st December 2011 the intellectual property asset was found to have no indications of impairment.

** In July 2011, the Company purchased computer software at a cost $100,000. This will be amortised over 3 years in line with its expected useful life.

## Note 11. Interest in joint venture

| | $'000 | $'000 |
|---|---|---|
| Investment in SANZAR Europe S.a.r.l. | 1,104 | 464 |
| Share of profit/(loss) for the current period | (106) | (153) |
| | **998** | **311** |
| | | |
| Investment in SANZAR Pty Ltd | - | - |
| Share of profit/(loss) for the current period | 24 | |
| | **24** | **-** |
| | **1,022** | **311** |

## Note 12. Trade and other payables

| | $'000 | $'000 |
|---|---|---|
| Trade creditors | 3,786 | 1,687 |
| Member Union creditors and accruals | 197 | 504 |
| Other creditors and accruals | 3,692 | 4,285 |
| | **7,675** | **6,476** |

## Note 13. Deferred revenue

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current** | | |
| Test match revenue | 1,693 | 1,087 |
| Broadcasting license fees | 1,666 | 5,475 |
| Sponsorships | 250 | 750 |
| Government grants | 432 | - |
| Other | 389 | 300 |
| | **4,430** | **7,612** |
| **Non-current** | | |
| Broadcast license fees | 4,978 | - |
| | **4,978** | **-** |

## Note 14. Other liabilities

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Non-current** | | |
| Provision for make good | 200 | 200 |
| | **200** | **200** |

## Note 15. Employee benefits

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Annual leave | 404 | 243 |
| Long service leave | 375 | 263 |
| | **779** | **506** |
| **Non-Current** | | |
| Long service leave | 191 | 136 |
| | **191** | **136** |
| | **970** | **642** |

**Superannuation**

The Company contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted during the period was $974,000 (2010 $898,000).

## Note 16. Financial liabilities

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Financial Lease * | 35 | - |
| **Non-Current** | | |
| Financial Lease * | 42 | - |
| | **77** | **-** |

* The finance lease is in relation to the purchase of computer software in 2011 which has been capitalised as an intangible asset (see Note 10). The finance lease expires in February 2013.

## Note 17. Allocations to Member Unions & Affiliates

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Queensland Rugby Union Ltd | 2,047 | 2,257 |
| New South Wales Rugby Union Ltd* | 1,276 | 1,806 |
| Australian Rugby Football Schools Union | 500 | 500 |
| Victoria Rugby Union Inc | 325 | 425 |
| ACT & Southern NSW Rugby Union Ltd | 295 | 295 |
| Western Australia Rugby Union Inc | 200 | 260 |
| Northern Territory Rugby Union Inc | 225 | 225 |
| South Australian Rugby Union Ltd | 225 | 225 |
| Tasmanian Rugby Union Inc | 55 | 55 |
| Other | 37 | 32 |
| **Total** | **5,185** | **6,080** |

* Allocation to New South Wales Rugby Union for 2011 represents grant funding for Premier Rugby. In 2010, the funding includes the last tranche of funding supplied under the previous Community Rugby funding model. Community rugby development in NSW now forms part of ARU's community rugby operations.

## Note 18.Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has entered into agreements for the period 2011 to 2015 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition and also to provide for Test matches as part of the Tri- Nations and Rugby Championship competitions and the June window for the period of the agreement.

### b) SANZAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the new broadcasting agreements for the 2011 to 2015 period.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. The parties are negotiating a new agreement for 2012 and beyond.

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and Professional Rugby Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2011.

The total amounts payable by the Company for 2012 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 12,790 |
| Professional Rugby Agreements | 8,000 |
| | **20,790** |
| Further, the Company has non-binding arrangements in relation to Community Rugby as follows: | |
| Premier Rugby Grants | 1,798 |
| Community Rugby Grants | 3,060 |
| | **4,858** |
| | **25,648** |

### e) Operating lease commitments

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Less than one year | 1,664 | 1,607 |
| Between one and five years | 6,930 | 6,227 |
| More than five years | 1,737 | 4,730 |
| | **10,331** | **12,564** |

The Company leases property under non-cancellable operating leases. The leases will expire within six years. Leases generally provide the Company a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

The Company leases motor vehicles under operating leases expiring within four years. Lease payments are fixed for the term of the leases.

## Note 19. Contingent liabilities

The Company is defendant in a number of claims for personal injuries and other damages relating to the game of rugby. These claims are being defended and generally are subject to insurance coverage. At this time the Directors are unable to ascertain what the Company's liability, if any, may be.

## Note 20. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby, Tri Nations and Rugby Champion rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2011 and the Company's interests are valued at $24,000 (2010: nil). See Note 11.
All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

### ii Rugby Shared Services Pty Ltd

The Company has a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd is to facilitate and develop efficiencies across various rugby operations.

The assets and liabilities of Rugby Shared Services Pty Ltd were not material as at 31 December 2011 and the Company's interests were therefore not consolidated in the Company's financial statements.

Rugby Shared Services Pty Ltd net results as at 31 December 2011 were not material. Consequently, the Company's interests were not consolidated in the Company's financial statements.

## Note 21. Interest in joint ventures

### i SANZAR Europe S.a.r.l.

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company and other investors all provided an equal portion of the loan to the investee for start up purposes. The Company's share of the loss of its equity accounted investee for the year was $82,000 deficit (2010: $153,000 deficit).

## Note 22. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Net surplus/(deficit) for the period** | (7,522) | 1,066 |
| **Add/(less) items classified as investing/financing activities:** | | |
| Allocations to Member Unions | 5,185 | 6,080 |
| Interest received | (1,091) | (761) |
| Interest paid | 60 | 118 |
| Dividends received | (1) | (47) |
| Proceeds from sales of option contracts | (377) | - |
| Fees paid on options purchase | - | 150 |
| | | |
| **Add/(less) non-cash items:** | | |
| Amortisation | 17 | 39 |
| Depreciation | 261 | 210 |
| (Gain)/Loss on fair value foreign exchange forward | 691 | (691) |
| Fair value of options sold during the year | 455 | - |
| **Before change in assets and liabilities** | **(2,322)** | **6,164** |
| | | |
| **Change in assets and liabilities during the financial period** | | |
| (Increase)/decrease in receivables | (11,717) | 683 |
| (Increase)/decrease in prepayments and consumables | 399 | 969 |
| Increase/(decrease) in payables and provisions | 1,603 | (1,445) |
| Increase/(decrease) in deferred revenue | 1,795 | 1,798 |
| **Net cash (used in)/provided by operating activities** | **(10,242)** | **8,169** |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 |
|---|---|---|
| Cash at bank and on hand | 3,435 | 11,826 |
| Cash on deposit | 2,039 | 9,491 |
| | **5,474** | **21,317** |

## Note 23. Key management personnel disclosures

### Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Special Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2011<br>$<br>Salary | 2011<br>$<br>Incentives | 2010<br>$<br>Salary | 2010<br>$<br>Incentives |
|---|---|---|---|---|
| *Mr P McGrath* | *43,600* | - | *43,600* | - |
| *Mr M Brown* | *7,267* | - | *21,800* | - |
| *Mr M Connors* | *21,800* | - | *21,800* | - |
| *Mr P Cosgrove AC, MC* | *14,533* | - | *7,267* | - |
| *Mr J Eales AM* | *21,800* | - | *15,442* | - |
| *Mr M Hawker* | *21,800* | - | *21,800* | - |
| *Mr R Lee* | *21,800* | - | *21,800* | - |
| *Mr R McGruther* | *7,267* | - | *21,800* | - |
| *Mr J Mumm* | *21,800* | - | *21,800* | - |
| *Mr J O'Neill AO* | *762,500* | *180,000* | *737,500* | *385,000* |
| *Mr B Robinson* | *14,533* | - | - | - |
| | ***958,700*** | ***180,000*** | ***934,609*** | ***385,000*** |

# *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ('the Company'):

a) the Company is not a reporting entity

b) the financial statements and notes, set out on pages 7 to 25, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company as at 31 December 2011 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 30th day of March 2012.

Signed in accordance with a resolution of the directors:

P. McGrath
Director

J. O'Neill
Director

**Independent audit report to the members of Australian Rugby Union Limited**

## Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Australian Rugby Union Limited (the company), which comprises the statement of financial position as at 31 December 2011 and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a true and fair view which is consistent with our understanding of the company's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion the financial report of Australian Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

30 March 2012

**Australian Securities & Investments Commission**

| |
|---|
| Electronic Lodgement |
| Document No. **7E6901933** |
| Lodgement date/time: 24-04-2015 13:15:06 |
| Reference Id: 91565584 |

**Form 388**
Corporations Act 2001
**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**AUSTRALIAN RUGBY UNION LIMITED**

ACN

**002 898 544**

## Reason for lodgement of statement and reports

A public company limited by guarantee who qualifies under Tier 2

**Dates on which financial year ends**

Financial year end date
**31-12-2014**

## Auditor's report

Were the financial statements audited or reviewed?

**Audited**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

## Details of current auditor or auditors

**Current auditor**

Date of appointment **22-02-1992**

Name of auditor

**KPMG**

Address

**10 SHELLY STREET**
**SYDNEY NSW 2000**

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

## Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

## Authentication

This form has been submitted by

| | |
|---|---|
| Name | John Richard HAWKINS |
| Date | 24-04-2015 |

**For more help or information**

| | |
|---|---|
| Web | www.asic.gov.au |
| Ask a question? | www.asic.gov.au/question |
| Telephone | 1300 300 630 |

Australian Rugby Union Limited

ABN 36 002 898 544

Special Purpose Consolidated Financial Report
31 December 2014

Australian Rugby Union Limited

# Contents

# Directors' report *(continued)*

The Directors of Australian Rugby Union Limited ('the Company') submit herewith their report together with the special purpose consolidated financial report of the Company for the year ended 31 December 2014 and the Auditor's report thereon.
In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

The names and particulars of the Directors who held office at any time during or since the end of the consolidated financial year are:

| | | |
|---|---|---|
| 1 | Michael Hawker AM<br>BSc(Syd), FAICD, SF Fin, FAIM<br>Chairman and Non-Executive Director | Michael is Chairman of the Australian Rugby Union Board, and the Chairman of the ARU Nominations Committee. He is a Director of the Rugby World Cup Limited, and he is also one of the ARU's two nominees to the World Rugby (formerly the IRB) Council where he is also a member of the Executive Committee, Rugby Committee, Budget Advisory Committee, Audit and Risk Committee and Governance Committee. He was Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) for seven years, and has over 30 years' experience in the financial services industry. Michael is an independent Non-Executive Director of Aviva Plc, Macquarie Group and Washington H. Soul Pattinson & Company Limited. He is Chairman of the George Institute for Global Health, an International Medical Research Institute. Michael played 25 Tests for the Wallabies, captained New South Wales and has previously been a Board Director of New South Wales Rugby Union. |
| 2 | John Eales AM<br>Non-Executive Director | John joined the ARU Board in April 2010 and is a member of the Human Resources Committee. John played for the Wallabies from 1991 to 2001 and captained them from 1996 to 2001. He is a founding partner of Mettle Group, which was acquired by Chandler Macleod in 2007. John is a director of Flight Centre Limited, International Quarterback, Fuji Xerox-DMS and GRM International. He is also an Ambassador for the Australian Indigenous Education Foundation. |
| 3 | Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon) GAICD<br>Non-Executive Director | Brett joined the ARU Board in April 2011 and is the Chair of the Governance & Policy Committee. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and played 16 Tests for the Wallabies. From 2002 to 2005 he was the General Manager of ARU's High Performance Unit. Brett is the Managing Director and Chief Executive Officer of ICON Cancer Care, a business that delivers comprehensive cancer services nationally. Prior to his appointment at ICON, Brett was the Australian Chief Executive Officer of Allianz Global Assistance (formerly Mondial Assistance) and held executive management roles with Insurance Australia Group (IAG), with responsibility for its key brands of NRMA, CGU and Swann in QLD. In 2012 Brett was appointed as a Director on the Boards of the AEIOU Foundation and the ICON Cancer Foundation. Brett is registered to practice in Queensland and continues to assist orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research. |
| 4 | Ann Sherry AO<br>BA, Grad Dip IR, FAICD<br>FIPAA, HonDLitt *Macq*<br>HonDBus *UQ*<br>Non-Executive Director | Ann joined the ARU Board in June 2012. She is the Chair of the Human Resources Committee and a member of the Governance & Policy Committee. Ann is the Chief Executive Officer of Carnival Australia, the largest cruise ship operator in Australasia. For 12 years prior to taking up the role of Chief Executive Officer at Carnival Australia, Ann was a senior executive in the banking sector, including as Chief Executive Officer, Westpac New Zealand, Chief Executive Officer Bank of Melbourne and Group Executive of People and Performance at Westpac. Ann was the First Assistant Secretary of the Office of the Status of Women in Canberra. Ann is a non-executive director of ING Direct (Australia), Sydney Airport Corporation and Ann is the Chair of The Myer Family Company Pty Limited. She is a director of Cape York Partnerships, the Chair of Safe Work Australia and also Chair of Cruise Lines International SE Asia. |
| 5 | Geoffrey Stooke OAM<br>Non-Executive Director | Geoffrey joined the Board in March of 2012 after a lengthy-stint as Chairman of RugbyWA from 1988 to 2011. He is a member of the Audit and Risk Committee and the Governance & Policy Committee. Geoffrey is the Chairman and Managing Director of Standard Wool Australia Pty Limited and Chairman of Troppus IT & Management Services Pty Limited. Prior to his current roles he held senior management roles in the resources, fishing and food industries, after his early career saw him as an Officer in the Australian Regular Army - which included service in Australia and abroad. Geoffrey has had a lifelong involvement in rugby and since 1965 has played over 800 grade games including over 600 for the Associates club in Perth. |

| | | |
|---|---|---|
| 6 | Paul McLean MBE<br>Non-Executive Director | Paul joined the Board on 27 August 2013 and is a member of the Human Resources Committee. After joining the global real estate services provider, Savills, in 1990, Paul is now the CEO - Savills Australia and NZ. Paul is a former Wallaby and Queensland captain and was inducted into the Wallaby Hall of Fame in 2011. He was President of Queensland Rugby Union from 1999 – 2005, President of the Australian Rugby Union from 2005-2009 and was a member of World Rugby's Executive Committee from 2007-2009. Paul is also a Director of Youngcare. |
| 7 | Cameron Clyne<br>Non-Executive Director | Cameron joined the Board on 21 October 2013 and is the Chair of the Audit & Risk Committee. Cameron was the Managing Director and Group Chief Executive Officer of the National Australia Bank from January 2009 until August 2014. He joined NAB in 2004 following more than 12 years with PricewaterhouseCoopers, leading the Financial Services Industry practice in the Asia Pacific. Cameron was selected as one of 245 people globally as a Young Global Leader by the World Economic Forum to address global challenges including health, education and the environment. |
| 8 | Nerolie Withnall<br>Non-Executive Director | Nerolie joined the Board on 21 October 2013 and is a member of the Governance & Policy Committee. Nerolie is a former partner of national law firm Minter Ellison working in commercial law. Nerolie's Board career includes her current role as Chair of international testing services business ALS and non-executive Board roles with resources company PanAust and global registry company Computershare. |
| 9 | Bill Pulver<br>Managing Director and CEO | Bill was appointed CEO of Australian Rugby Union in February 2013. Prior to rugby Bill was CEO of Appen Butler Hill, a linguistic technology company. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research. Bill also spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. Prior to that he spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London. |

# Directors' report *(continued)*

## 2. Company Secretary

Richard Hawkins has been the joint Company Secretary and the ARU's General Counsel since 1 June 2013.

Todd Day is the other Company Secretary and is also the ARU's Chief Financial Officer.

## 3. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Human Resources Committee Meetings | | Governance & Policy Committee Meetings | | Nominations Committee Meetings | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr M Hawker | 7 | 7 | 3 | 3 | | | | | 4 | 4 |
| Mr J Eales | 7 | 7 | | | 2 | 2 | | | | |
| Dr B Robinson | 6 | 7 | | | | | 2 | 2 | | |
| Ms A Sherry | 4 | 7 | | | 2 | 2 | 2 | 2 | | |
| Mr G Stooke | 7 | 7 | 3 | 3 | | | 2 | 2 | | |
| Mr P McLean | 6 | 7 | | | 2 | 2 | | | | |
| Mr C Clyne | 6 | 7 | 3 | 3 | | | | | | |
| Mrs N Withnall | 5 | 7 | | | | | 1 | 2 | | |
| Mr W Pulver | 7 | 7 | | | | | | | | |

A = Number of Meetings Attended

B = Reflects the number of meetings held during the time the Director held office during the year

## 4. Principal activities

The Company's principal activities in the financial year were the promotion, efficiency, progress, development and general governance of the game of rugby.

No significant change in the nature of this activity occurred during the year.

## 5. Review of operations

Throughout 2014, the company retained control of Melbourne Rebels Rugby Union Ltd (MRRU) via authority over the appointment of board members. During 2014, the Australian Rugby Foundation Ltd (ARF) was established as the National Foundation for Australian Rugby. The purpose of this entity is to drive greater investment in Rugby from the grass roots to the elite and engaging with Australian Rugby's supporters around the globe. The financial results of MRRU and ARF have been consolidated with the company. The operating deficit of the consolidated entity for the financial year before allocations and other payments to Member Unions was a deficit of $1,780,000 (2013: surplus of $28,190,000).

The net deficit of the consolidated entity for the financial year after allocations and other payments to Member Unions was $5,512,000 (2013: surplus of $23,014,000).

## 6. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 7. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

## 8. Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses and liabilities incurred by the person as an officer of the Company incurred in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or in relation to such proceedings in which the Court grants relief to the person under the Corporations Act 2001.

In respect to this indemnity, the Company has paid insurance premiums of $18,700 in respect of Directors and Officers of the Company. The insurance policies do not contain details of the premiums paid in respect of individual Directors or Officers of the Company.

## 9. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 31 December 2014.

## 10. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

By order of the Board

**M. Hawker**
Director

**W. Pulver**
Director

Dated at Sydney this 24/03/2015

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

24 March 2015

## Income Statements
## For the year ended 31 December 2014

| | Note | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | |
| Broadcasting | | 26,168 | 26,168 | 41,447 | 41,447 |
| Matchday | | 34,843 | 31,774 | 69,159 | 68,180 |
| Sponsorships | | 31,916 | 28,700 | 27,115 | 25,884 |
| Licensing | | 1,921 | 1,857 | 2,152 | 2,152 |
| Government grants | | 2,575 | 2,575 | 2,746 | 2,746 |
| World Rugby grants | | 686 | 686 | 536 | 536 |
| Other income | | 5,289 | 5,092 | 2,574 | 2,539 |
| **Total revenue and other income** | | **103,398** | **96,852** | **145,729** | **143,484** |
| | | | | | |
| **Operating expenditure** | | | | | |
| Commission & Servicing costs | | 4,056 | 3,870 | 4,772 | 4,640 |
| Matchday operations | | 16,536 | 15,071 | 25,336 | 25,137 |
| Marketing & media | | 4,294 | 3,468 | 6,974 | 6,747 |
| Wallabies team costs | | 5,853 | 5,853 | 7,356 | 7,356 |
| National Sevens teams costs | | 3,724 | 3,724 | 3,729 | 3,729 |
| Super Rugby teams costs | | 4,053 | 3,177 | 4,647 | 3,129 |
| Super Rugby grants | | 17,713 | 23,763 | 17,900 | 25,350 |
| Player payments & RUPA costs | | 16,274 | 12,565 | 15,988 | 13,970 |
| High Performance & National Teams | | 6,769 | 6,769 | 7,484 | 7,484 |
| SANZAR office | | 1,212 | 1,212 | 978 | 978 |
| Community Rugby | | 4,372 | 4,294 | 4,798 | 4,798 |
| Corporate | | 20,799 | 16,164 | 19,185 | 17,091 |
| **Total operating expenditure** | | **105,655** | **99,933** | **119,147** | **120,409** |
| | | | | | |
| **Operating (deficit)/surplus before financing income** | | **(2,227)** | **(3,081)** | **26,582** | **23,075** |
| | | | | | |
| Finance income | | 489 | 478 | 1,488 | 1,488 |
| Finance costs | | (126) | (121) | (116) | (103) |
| **Net finance income** | *3* | **363** | **357** | **1,372** | **1,385** |
| | | | | | |
| **(Deficit)/Surplus after net finance income** | | **(1,894)** | **(2,724)** | **27,954** | **24,460** |
| Share of profit/(loss) of jointly controlled entity | *11* | 114 | 114 | 236 | 236 |
| **(Deficit)/Surplus before tax** | | **(1,780)** | **(2,610)** | **28,190** | **24,696** |
| | | | | | |
| Income tax expense | *5* | - | - | - | - |
| | | | | | |
| **(Deficit)/Surplus for the period before allocations** | | **(1,780)** | **(2,610)** | **28,190** | **24,696** |
| Allocations to Member Unions & Affiliates | *17* | (3,732) | (3,732) | (5,176) | (5,176) |
| **(Deficit)/Surplus for the period** | *22* | **(5,512)** | **(6,342)** | **23,014** | **19,520** |
| | | | | | |
| **Profit attributable to:** | | | | | |
| Members of the Company | | (3,078) | (6,342) | 25,020 | 19,520 |
| Non-controlling interests | | (2,434) | - | (2,006) | - |

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.

## Statements of comprehensive income
## For the year ended 31 December 2014

| | *Note* | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **(Deficit)/Surplus for the period** | | **(5,512)** | **(6,342)** | **23,014** | **19,520** |
| **Other comprehensive loss:** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Net change in fair value of cash flow hedges transferred to profit and loss | | (898) | (898) | (1,778) | (1,778) |
| Net change in fair value of cash flow hedges taken to equity | | 450 | 450 | (7,187) | (7,187) |
| **Total items that may be reclassified subsequently to profit or loss** | | **(448)** | **(448)** | **(8,965)** | **(8,965)** |
| **Other comprehensive loss for the period** | | **(448)** | **(448)** | **(8,965)** | **(8,965)** |
| **Total comprehensive (loss)/income for the period** | | **(5,960)** | **(6,790)** | **14,049** | **10,555** |
| **Comprehensive (loss)/income for the period attributable to:** | | | | | |
| Members of the Company | | **(3,525)** | **(6,790)** | **16,055** | **10,555** |
| Non-controlling interests | | **(2,434)** | **-** | **(2,006)** | **-** |

*The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.*

## Statements of financial position
### As at 31 December 2014

| | Note | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|---|
| | | *$'000* | *$'000* | *$'000* | *$'000* |
| **Current assets** | | | | | |
| Cash and cash equivalents | *6* | 8,015 | 7,840 | 17,822 | 17,767 |
| Trade and other receivables | *7* | 13,399 | 13,170 | 7,138 | 6,742 |
| Other assets | *8* | 656 | 569 | 843 | 796 |
| **Total current assets** | | **22,070** | **21,579** | **25,803** | **25,305** |
| **Non-current assets** | | | | | |
| Trade and other receivables | *7* | 78 | 78 | 6,720 | 6,720 |
| Property, plant and equipment | *9* | 1,936 | 1,861 | 2,465 | 2,348 |
| Intangible assets | *10* | 2,833 | 2,833 | 1,824 | 1,824 |
| Investment in Joint Venture | *11* | 1,100 | 1,100 | 986 | 986 |
| **Total non-current assets** | | **5,947** | **5,872** | **11,995** | **11,878** |
| **Total assets** | | **28,017** | **27,451** | **37,798** | **37,183** |
| **Current liabilities** | | | | | |
| Trade and other payables | *12* | 8,375 | 7,264 | 11,182 | 9,943 |
| Deferred revenue | *13* | 7,886 | 5,636 | 8,662 | 5,746 |
| Employee benefits | *15* | 930 | 912 | 684 | 604 |
| Financial liabilities | *16* | 3,904 | 3,885 | 1,980 | 1,958 |
| **Total current liabilities** | | **21,095** | **17,697** | **22,508** | **18,251** |
| **Non-current liabilities** | | | | | |
| Deferred revenue | *13* | 1,702 | 1,702 | 1,686 | 1,686 |
| Other liabilities | *14* | 212 | 212 | 12 | 12 |
| Employee benefits | *15* | 127 | 127 | 310 | 310 |
| Financial liabilities | *16* | 851 | 851 | 3,292 | 3,272 |
| **Total non-current liabilities** | | **2,892** | **2,892** | **5,300** | **5,280** |
| **Total liabilities** | | **23,987** | **20,590** | **27,808** | **23,531** |
| **Net assets** | | **4,030** | **6,862** | **9,990** | **13,652** |
| **Equity** | | | | | |
| Retained surplus | | 19,012 | 10,248 | 22,090 | 16,590 |
| Minority interest | | (11,596) | - | (9,162) | - |
| Realised cash flow hedge reserve | | 325 | 325 | 1,223 | 1,223 |
| **Total capital position** | | **7,742** | **10,573** | **14,151** | **17,813** |
| Asset revaluation reserve | | 903 | 903 | 903 | 903 |
| Unrealised cash flow hedge reserve | | (4,614) | (4,614) | (5,064) | (5,064) |
| **Total equity** | | **4,030** | **6,862** | **9,990** | **13,652** |

*The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.*

## Statement of changes in equity (Parent company)
## For the year ended 31 December 2014

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cash flow hedge reserve realised* | | *Cash flow hedge reserve unrealised* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| *Balance at beginning of period* | 16,590 | (2,930) | 903 | 903 | 1,223 | 3,001 | (5,064) | 2,123 | 13,652 | 3,097 |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | (6,342) | 19,520 | - | - | - | - | - | - | (6,342) | 19,520 |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (898) | (1,778) | - | - | (898) | (1,778) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | 450 | (7,187) | 450 | (7,187) |
| ***Total comprehensive (loss)/income for the period*** | **(6,342)** | **19,520** | **-** | **-** | **(898)** | **(1,778)** | **450** | **(7,187)** | **(6,790)** | **10,555** |
| ***Balance at end of period*** | **10,248** | **16,590** | **903** | **903** | **325** | **1,223** | **(4,614)** | **(5,064)** | **6,862** | **13,652** |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.*

## Statement of changes in equity
## (Consolidated entity)
## For the year ended 31 December 2014

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cashflow hedge reserve realised* | | *Cashflow hedge reserve unrealised* | | *Non-controlling Interest* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| *Balance at beginning of period* | 22,090 | (2,930) | 903 | 903 | 1,223 | 3,001 | (5,064) | 2,123 | (9,162) | 0 | 9,990 | 3,097 |
| *Balance acquired on subsidiary acquisition* | | - | | - | - | - | - | - | | (7,156) | | (7,156) |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | (3,078) | 25,020 | | - | - | - | - | - | (2,434) | (2,006) | (5,512) | 23,014 |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (898) | (1,778) | - | - | - | - | (898) | (1,778) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | 450 | (7,187) | - | - | 450 | (7,187) |
| ***Total comprehensive (loss)/income for the period*** | **(3,078)** | **25,020** | **-** | **-** | **(898)** | **(1,778)** | **450** | **(7,187)** | **(2,434)** | **(2,006)** | **(5,960)** | **14,049** |
| ***Balance at end of period*** | **19,012** | **22,090** | **903** | **903** | **325** | **1,223** | **(4,614)** | **(5,064)** | **(11,596)** | **(9,162)** | **4,030** | **9,990** |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 28.*

# Statement of cashflows
## For the year ended 31 December 2014

| | Note | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | |
| Cash receipts in the course of operations | | 105,918 | 99,216 | 155,864 | 153,456 |
| Cash payments in the course of operations | | (112,760) | (102,919) | (134,322) | (127,868) |
| **Net cash provided by/(used in) operating activities** | *21(a)* | **(6,842)** | **(3,703)** | **21,542** | **25,588** |
| **Cash flows from investing activities** | | | | | |
| Net interest received | | 464 | 455 | 465 | 479 |
| Net cash acquired on control of subsidiary | | | - | 115 | - |
| Payments for property, plant and equipment | | (360) | (360) | (1,248) | (1,248) |
| Payments for intangibles | | (1,264) | (1,264) | (577) | (577) |
| **Net cash used in investing activities** | | **(1,160)** | **(1,169)** | **(1,245)** | **(1,346)** |
| **Cash flows from financing activities** | | | | | |
| Net Proceeds from / (repayment) of borrowings | | 1,939 | 1,939 | (718) | 782 |
| Loans issued to related parties | | (12) | (3,262) | - | (5,500) |
| Allocations to Member Unions & Affiliates | | (3,732) | (3,732) | (5,176) | (5,176) |
| **Net cash used in financing activities** | | **(1,805)** | **(5,055)** | **(5,894)** | **(9,894)** |
| **Net increase / (decrease) in cash held** | | **(9,807)** | **(9,927)** | **14,403** | **14,348** |
| Cash at beginning of year | | 17,822 | 17,767 | 3,419 | 3,419 |
| **Cash at end of year** | *21(b)* | **8,015** | **7,840** | **17,822** | **17,767** |

# Notes to the financial statements

**For the year ended 31 December 2014**

## Note 1. Statement of significant accounting policies *(continued)*

### (a) Reporting entity

Australian Rugby Union Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 29-57 Christie Street, St. Leonards, NSW, 2065. In the opinion of the directors it is not a reporting entity as there are unlikely to exist users of the consolidated financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose consolidated financial report has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001. This special purpose consolidated financial report was authorised for issue by the directors on 24th March 2015.

### (b) Statement of compliance

The consolidated financial report is a special purpose consolidated financial report which has been prepared in accordance with the Corporations Act 2001, the recognition and measurement aspects of all applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB'), the disclosure requirements of AASB101 *Presentation of Financial Statements*, AASB107 *Cash Flow Statements*, AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*,AASB1031 *Materiality*, AASB1048 *Interpretation and Application of Standards* and AASB1054 *Australian Additional Disclosures*.

### (c) Basis of preparation

The consolidated financial report is presented in Australian dollars.

The consolidated financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The financial statements have been prepared on a going concern basis based on an analysis of the forecast cash flows from operations of the Group. These assumptions could be impacted by downside risks, particularly impacting Super Rugby franchise teams that may require the Company to incur additional costs in order to field teams under its Broadcasting obligations. The Company considers that if such additional costs were to be incurred they can be funded through a combination of positive cash flow initiatives that are within its control.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a consolidated financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the consolidated financial report.

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

**Note 1. Statement of significant accounting policies *(continued)***

## (d) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company and its consolidated entity, except for AASB 9 Financial Instruments, which becomes mandatory for the 2018 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 1053 Application of Tiers of Australian Accounting Standards is effective for the current financial year, however the Company is not required to apply AASB 1053 as it is not publicly accountable, nor a reporting entity and is preparing special purpose financial statements.

## (e) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

## (f) Financial instruments

### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### ii Financial assets at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

**Note 1. Statement of significant accounting policies *(continued)***

## (g) Hedging

### Cash flow hedges

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

## (h) Property, plant and equipment

### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

**Note 1. Statement of significant accounting policies *(continued)***

## (h) Property, plant and equipment (continued)

### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

## (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement. Directors' valuation of the intangibles at year end remains the same as in the prior year.

## (j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

## (k) Consumables

Stocks of coaching manuals, law books and other items which are held for resale are recognised as consumables. Consumables also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business.

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other consumables is based on the first-in first-out principle and includes expenditure incurred in acquiring the consumables and bringing them to their existing location and condition.

## (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

## (m) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (m) i).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

**Note 1. Statement of significant accounting policies *(continued)***

## (m) Impairment (continued)

### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (n) Employee benefits

### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

### iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

## (o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.

**Note 1. Statement of significant accounting policies *(continued)***

## (q) Revenue

### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales.

Broadcast revenue is recognised using a percentage of completion method determined for each broadcast right (The Rugby Championship, Super Rugby, inbound test matches) based on the number of matches scheduled to be played each year as a proportion of total scheduled matches for each right.

Sponsorship revenue is recognised in line with the terms specified in the relevant contracts.

Revenue from ticket sales is recognised at the time the match is played. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant. Grants from the World Rugby are recorded when the Company has met the conditions or provided services associated with the grant. In respect of Rugby World Cup grants, such conditions and/or services are not considered to be met until the Company's representative team participates in the World Cup.

## (r) Expenses

### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

## (s) Loans & receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method less impairment losses (see accounting policy (m)).

**Note 1. Statement of significant accounting policies *(continued)***

## (t) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

Australian Rugby Foundation Ltd is exempt from income tax under the terms of Division 50 if the Income Tax Assessment Act 1997.

Melbourne Rebels Rugby Union Ltd is a taxable entity under Income Tax Assessment Act 1997.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss extent to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## (u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## (v) Basis of consolidation

### i Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

### ii Interest in equity-accounted investees

Interest in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit of loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

## Note 2. Other expenses

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Employee benefits** | | | | |
| Wages and salaries | 23,669 | 16,298 | 18,911 | 16,138 |
| Superannuation | 1,872 | 1,262 | 1,394 | 1,181 |
| **Total employee benefits** | **25,541** | **17,560** | **20,305** | **17,319** |
| Amortisation | 255 | 255 | 99 | 99 |
| Depreciation of Plant and equipment | 650 | 608 | 923 | 541 |
| **Total amortisation and depreciation** | **905** | **863** | **1,022** | **640** |
| Net expense from movements in provision for employee entitlements | (62) | (124) | 435 | 532 |
| Operating lease rental expense payments | 1,590 | 1,400 | 1,543 | 1,438 |

## Note 3. Finance income and finance costs

| | | | | |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Foreign exchange gain | - | - | 906 | 906 |
| Interest income | 489 | 478 | 582 | 582 |
| **Finance income** | **489** | **478** | **1,488** | **1,488** |
| **Finance costs** | | | | |
| Foreign exchange loss | (101) | (98) | - | - |
| Interest expense | (25) | (23) | (117) | (103) |
| **Finance costs** | **(126)** | **(121)** | **(117)** | **(103)** |
| **Net finance income** | **363** | **357** | **1,372** | **1,385** |

## Note 4. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Audit services** | | | | |
| Auditors of the Company - KPMG | | | | |
| Audit of the financial report – current | 101,750 | 61,000 | 106,300 | 71,600 |
| **Other services** | | | | |
| Auditors of the Company – KPMG | | | | |
| Other assurance services | 18,259 | 18,259 | 7,700 | 7,700 |
| | **120,009** | **79,259** | **114,000** | **79,300** |

## Note 5. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The Company did not have any Tax Expense from revenue earned from overseas activities.

Australian Rugby Foundation Ltd (ARF) is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The ARF did not have any Tax Expense from revenue earned from overseas activities.

Melbourne Rebels Rugby Union Ltd is a tax paying entity. Deferred tax assets or liabilities attributable to current and prior year trading losses have not been recognised in the accounts due to the uncertainty of realisation of future income and related income tax payable.

## Note 6. Cash and cash equivalents

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at bank and on hand | 7,976 | 7,801 | 9,284 | 9,229 |
| Cash on deposit | 39 | 39 | 8,538 | 8,538 |
| Cash and cash equivalents in the statement of cash flows | **8,015** | **7,840** | **17,822** | **17,767** |

Neither the Group nor the Company has a bank overdraft or any other bank debt at balance date.

## Note 7. Trade and other receivables

| | **$'000** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | 2,294 | 2,026 | 3,867 | 3,555 |
| Member unions receivables | 587 | 814 | 466 | 466 |
| Other receivables | 10,518 | 10,330 | 2,805 | 2,721 |
| | **13,399** | **13,170** | **7,138** | **6,742** |
| **Non-current** | | | | |
| Loans to Member Unions: | **$'000** | **$'000** | **$'000** | **$'000** |
| ACT Rugby Union | 27 | 27 | 27 | 27 |
| Northern Territory Rugby Union | 80 | 80 | 80 | 80 |
| Tasmanian Rugby Union | 17 | 17 | 17 | 17 |
| Melbourne Rebels Rugby Union | - | 8,750 | - | 5,500 |
| Other receivables | 78 | 78 | 6,720 | 6,720 |
| Provision for doubtful debts | (124) | (8,874) | (124) | (5,624) |
| | **78** | **78** | **6,720** | **6,720** |

## Note 8. Other assets

| | **$'000** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|---|
| **Current** | | | | |
| Consumables | 153 | 153 | 413 | 413 |
| Prepayments | 503 | 416 | 430 | 383 |
| | **656** | **569** | **843** | **796** |

# Notes to the financial statements

**For the year ended 31 December 2014**

## Note 9. Property, plant and equipment

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Memorabilia | | | | |
| At fair value | 927 | 927 | 927 | 927 |
| Accumulated depreciation | (114) | (114) | (92) | (92) |
| **Total memorabilia** | **813** | **813** | **835** | **835** |
| | | | | |
| Plant and equipment | | | | |
| At cost | 3,798 | 2,567 | 4,042 | 2,811 |
| Accumulated depreciation | (2,675) | (1,519) | (2,446) | (1,332) |
| **Total plant and equipment** | **1,123** | **1,048** | **1,596** | **1,479** |
| | | | | |
| Other capitalised expenditure at cost | - | - | **34** | **34** |

## Note 10. Intangible Assets

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Intellectual Property | 1,300 | 1,300 | 1,300 | 1,300 |
| Software | 1,941 | 1,941 | 677 | 677 |
| Accumulated amortisation | (408) | (408) | (153) | (153) |
| | **2,833** | **2,833** | **1,824** | **1,824** |

## Note 11. Investment in joint venture

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Investment in SANZAR Europe S.a.r.l. | 836 | 836 | 679 | 679 |
| Share of profit for the current period | 118 | 118 | 157 | 157 |
| | **954** | **954** | **836** | **836** |
| | | | | |
| Investment in SANZAR Pty Ltd | 150 | 150 | 71 | 71 |
| Share of (loss)/profit for the current period | (4) | (4) | 79 | 79 |
| | **146** | **146** | **150** | **150** |
| | **1,100** | **1,100** | **986** | **986** |

## Note 12. Trade and other payables

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Trade creditors | 1,098 | 466 | 2,570 | 1,996 |
| Member Union creditors and accruals | 513 | 463 | 936 | 936 |
| Other creditors and accruals | 6,764 | 6,335 | 7,676 | 7,011 |
| | **8,375** | **7,264** | **11,182** | **9,943** |

## Note 13. Deferred revenue

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Current** | | | | |
| Test match revenue | 844 | 844 | 1,208 | 1,208 |
| Broadcasting license fees | 1,702 | 1,702 | 2,653 | 2,653 |
| Sponsorships | 1,450 | 481 | 2,074 | 746 |
| Government grants | 687 | 687 | 788 | 788 |
| World Rugby – Rugby World Cup | 3,550 | 3,550 | - | - |
| Super Rugby Memberships | 1,281 | - | 1,589 | - |
| Other | 74 | 74 | 350 | 351 |
| | **9,588** | **7,338** | **8,662** | **5,746** |
| **Non-current** | | | | |
| Other | - | - | 1,686 | 1,686 |
| | **-** | **-** | **1,686** | **1,686** |

## Note 14. Other liabilities

| | | | | |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | | |
| Provision for make good | 212 | 212 | 12 | 12 |
| | **212** | **212** | **12** | **12** |

## Note 15. Employee benefits

| | | | | |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Current** | | | | |
| Annual leave | 616 | 598 | 431 | 351 |
| Long service leave | 314 | 314 | 253 | 253 |
| | **930** | **912** | **684** | **604** |
| **Non-Current** | | | | |
| Long service leave | 127 | 127 | 310 | 310 |
| | **127** | **127** | **310** | **310** |
| | **1,056** | **1,038** | **994** | **914** |

**Superannuation**

The Group contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted by the Company during the period was $1,262,000 (2013: $1,181,000). The value of contributions remitted by the Group during the period was $1,872,000 (2013: $1,394,000).

## Note 16. Financial liabilities

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Financial Lease | 143 | 124 | 62 | 40 |
| Foreign exchange forward contracts | 3,761 | 3,761 | 1,918 | 1,918 |
| | **3,904** | **3,885** | **1,980** | **1,958** |
| **Non-Current** | | | | |
| Financial Lease | - | - | 147 | 127 |
| Foreign exchange forward contracts | 851 | 851 | 3,145 | 3,145 |
| | **851** | **851** | **3,292** | **3,272** |
| | **4,755** | **4,736** | **5,272** | **5,230** |

## Note 17. Allocations to Member Unions & Affiliates

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Queensland Rugby Union Ltd | 1,425 | 1,425 | 1,782 | 1,782 |
| New South Wales Rugby Union Ltd** | 480 | 480 | 1,050 | 1,050 |
| Australian Rugby Football Schools Union | 460 | 460 | 613 | 613 |
| Victoria Rugby Union Inc | 325 | 325 | 585 | 585 |
| ACT & Southern NSW Rugby Union Ltd | 244 | 244 | 244 | 244 |
| Western Australia Rugby Union Inc | 200 | 200 | 200 | 200 |
| Northern Territory Rugby Union Inc | 240 | 240 | 272 | 272 |
| South Australian Rugby Union Ltd | 260 | 260 | 260 | 260 |
| Tasmanian Rugby Union Inc | 58 | 58 | 85 | 85 |
| Other | 40 | 40 | 85 | 85 |
| **Total** | **3,732** | **3,732** | **5,176** | **5,176** |

**The Company provides a further $1,830,000 to New South Wales Rugby Union via the provision of staff and associated program expenditure for community rugby activities within New South Wales.

## Note 18. Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has entered into agreements for the period 2011 to 2015 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition and also to provide for Test matches as part of The Rugby Championship (formerly Tri-Nations) competition and the June window for the period of the agreement. Negotiations for broadcast arrangements for the period 2016 to 2020 are now complete with long from agreements to be executed in 2015.

### b) SANZAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the broadcasting agreements for the 2011 to 2015 period. A renewed joint venture agreement, now including Argentine Rugby Union as a joint venture partner and Japan Rugby Union as a Super Rugby participant, aligned to the new 2016-2020 broadcast arrangements has been concluded.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc, Melbourne Rebels Rugby Union Ltd and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

## Note 18. Commitments (continued)

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and Professional Rugby Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2011.

The total amounts payable by the Company for 2015 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 12,000 |
| High Performance Agreements | 7,700 |
| | **19,700** |

Further, the Company has non-binding arrangements in relation to Community Rugby as follows:

| | |
|---|---|
| National Participation Funding | 3,396 |
| | **3,396** |

### e) Lease commitments

| | 2014 Consolidated Entity $'000 | 2014 Parent Entity $'000 | 2013 Consolidated Entity $'000 | 2013 Parent Entity $'000 |
|---|---|---|---|---|
| **Operating lease** | | | | |
| Less than one year | 1,137 | 1,137 | 1,307 | 1,269 |
| Between one and five years | 1,959 | 1,959 | 3,787 | 3,748 |
| More than five years | - | - | 200 | 20 |
| | **3,096** | **3,096** | **5,294** | **5,217** |
| **Finance lease** | | | | |
| Less than one year | - | - | - | - |
| Between one and five years | 19 | - | - | - |
| More than five years | - | - | - | - |
| | **19** | **3,096** | **5,294** | **5,217** |

The Company leases property under non-cancellable operating leases. The leases will expire within three years. Leases generally provide the Company a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

### f) Melbourne Rebels Rugby Union Ltd

The Company has committed to provide financial support via a loan facility to the Melbourne Rebels Rugby Union Ltd for the next twelve months in addition to funding provided during the year. The additional loan facility is limited to $2,500,000 and is subject to terms and conditions under a formalised agreement.

## Note 19. Contingent liabilities

The Company is defendant in a number of claims for personal injuries and other damages relating to the game of rugby. These claims are being defended and generally are subject to insurance coverage. At this time the Directors are unable to ascertain what the Company's liability, if any, may be.

## Note 20. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby and Rugby Championship rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2014 and the Company's interests are valued at $146,000 (2013: $150,000). See Note 11.

All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

### ii SANZAR Europe S.a.r.l

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company and other investors all provided an equal portion of the loan to the investee for start-up purposes. The Company's share of the profit of its equity accounted investee for the year was $118,000 (2013: $157,000). See Note 11.

### iii Rugby Shared Services Pty Ltd

The Company had a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd was to facilitate and develop efficiencies across various rugby operations. The operations of RSS ceased during the year.

The assets and liabilities of Rugby Shared Services Pty Ltd were not material as at 31 December 2014 and the Company's interests were therefore not consolidated in the Company's financial statements.

Rugby Shared Services Pty Ltd net results as at 31 December 2014 were not material. Consequently, the Company's interests were not consolidated in the Company's financial statements.

## Note 21. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2014 Consolidated Entity | 2014 Parent Entity | 2013 Consolidated Entity | 2013 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Net (deficit)/surplus for the period** | (5,512) | (6,342) | 23,014 | 19,520 |
| **Add/(less) items classified as investing/financing** | | | | |
| Allocations to Member Unions | 3,732 | 3,732 | 5,176 | 5,176 |
| Interest received | (489) | (478) | (582) | (582) |
| Interest paid | 25 | 23 | 117 | 103 |
| Write-back of provision for doubtful debts | - | - | (782) | (782) |
| Impairment on related party loan | - | 3,250 | - | 5,500 |
| **Add/(less) non-cash items:** | | | | |
| Share of profit from jointly controlled entities | (114) | (114) | (236) | (236) |
| Amortisation & depreciation | 905 | 863 | 1,022 | 640 |
| Loss on disposal of assets | 239 | 239 | 138 | 189 |
| Release from realised cashflow hedge reserve | (898) | (898) | (1,778) | (1,778) |
| **Before change in assets and liabilities** | **(2,112)** | **275** | **26,089** | **27,750** |
| **Change in assets and liabilities during the financial period** | | | | |
| (Increase)/decrease in receivables | (1,546) | (1,713) | 3,491 | 3,887 |
| (Increase)/decrease in prepayments and consumables | 187 | 227 | 693 | 740 |
| Increase/(decrease) in payables and provisions | (2,611) | (2,398) | 1,057 | (262) |
| Increase/(decrease) in deferred revenue | (760) | (94) | (3,733) | (6,527) |
| Minority interest in changes in assets & liabilities | - | - | (6,055) | - |
| **Net cash (used in)/provided by operating activities** | **(6,842)** | **(3,703)** | **21,542** | **25,588** |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 7,976 | 7,801 | 9,284 | 9,229 |
| Cash on deposit | 39 | 39 | 8,538 | 8,538 |
| | **8,015** | **7,840** | **17,822** | **17,767** |

# Notes to the financial statements
**For the year ended 31 December 2014**

## Note 22. Key management personnel disclosures

### Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Special Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2014<br>$<br>Salary | 2014<br>$<br>Incentives | 2013<br>$<br>Salary | 2013<br>$<br>Incentives |
|---|---|---|---|---|
| Mr P Cosgrove AC, MC | - | - | 15,452 | - |
| Mr J Eales AM | 3,642 | - | 16,362 | - |
| Mr M Hawker AM | 7,283 | - | 32,725 | - |
| Mr J Mumm | - | - | 14,240 | - |
| Mr W Pulver** | 735,885 | - | 696,779 | - |
| Mr B Robinson | 3,642 | - | 16,362 | - |
| Mr G Gregan AM | - | - | 12,721 | - |
| Mrs A Sherry AO | 3,642 | - | 16,362 | - |
| Mr G Stooke OAM | 3,642 | - | 16,362 | - |
| Mr P McLean MBE | 3,642 | - | 4,552 | - |
| Mr C Clyne | 3,642 | - | 1,821 | - |
| Mrs N Withnall | 3,642 | - | 1,821 | - |
| | **768,662** | **-** | **845,559** | |

**Ordinarily the Directors of the Company are entitled to be paid directors' fees of $20,000 (plus superannuation) per annum, and the Chairman of the Board entitled to $40,000 (plus superannuation) per annum, paid monthly. During the year, the Directors and Chairman elected to forgo 100% of their fees from March 2014*

*** The 2013 Salary reported for Mr W Pulver represents payment for eleven months of the year. For both the 2013 and 2014 years, Mr Pulver was eligible for incentive payments but chose to forego those payments.*

## *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ('the Company') and its controlled entity ('the Group'):

a) the Company is not a reporting entity

b) the consolidated financial statements and notes, set out on pages 7 to 28, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company and the Group as at 31 December 2014 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 24th March 2015

Signed in accordance with a resolution of the directors:

M. Hawker
Director

W. Pulver
Director

## Independent audit report to the members of Australian Rugby Union Limited

We have audited the accompanying financial report, being a special purpose financial report, of Australian Rugby Union Limited (the Company), which comprises the statements of financial position as at 31 December 2014, and the income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the special purpose financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a true and fair view which is consistent with our understanding of the Company's and the Group's financial position, and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion the financial report of Australian Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2014 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

**Basis of accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

24 March 2015

**Australian Securities & Investments Commission**

Electronic Lodgement

Document No. **7E7870475**

Lodgement date/time: 13-04-2016 15:24:23
Reference Id: 94378099

**Form 388**
Corporations Act 2001
**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**AUSTRALIAN RUGBY UNION LIMITED**

ACN

**002 898 544**

## Reason for lodgement of statement and reports

A public company limited by guarantee who qualifies under Tier 2

**Dates on which financial year ends**

Financial year end date
**31-12-2015**

## Auditor's report

Were the financial statements audited or reviewed?

**Audited**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

## Details of current auditor or auditors

**Current auditor**

Date of appointment **22-02-1992**

Name of auditor

**KPMG**

Address

**10 SHELLY STREET**
**SYDNEY NSW 2000**

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

## Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

## Authentication

This form has been submitted by

| | |
|---|---|
| Name | John Richard HAWKINS |
| Date | 13-04-2016 |

**For more help or information**

| | |
|---|---|
| Web | www.asic.gov.au |
| Ask a question? | www.asic.gov.au/question |
| Telephone | 1300 300 630 |

Australian Rugby Union Limited

ABN 36 002 898 544

Reduced Disclosure Financial Report
31 December 2015

# Contents

# Directors' report

The Directors of Australian Rugby Union Limited ('the Company') submit herewith their report together with the reduced disclosure consolidated financial report of the Company and its controlled entities ('the Group') for the year ended 31 December 2015 and the Auditor's report thereon.

In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

| | |
|---|---|
| Michael Hawker AM<br>BSc(Syd), FAICD, SF Fin, FAIM<br>Chairman and Non-Executive Director | Michael was Chairman of the Australian Rugby Union Board and Chairman of the ARU Nominations Committee throughout 2015. He resigned as Chairman at the end of 2015 and as a director in January 2016. He will remain as one of the ARU's two nominees to the World Rugby Council and as a member of the World Rugby Executive Committee, Rugby Committee, Budget Advisory Committee, Audit and Risk Committee and Governance Committee until May 2016. He will also remain as a Director of Rugby World Cup Limited. He was Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) for seven years, and has over 30 years' experience in the financial services industry. Michael is an independent Non-Executive Director of Aviva Plc, Macquarie Group and Washington H. Soul Pattinson & Company Limited. He is Chairman of the George Institute for Global Health, an International Medical Research Institute. Michael played 25 Tests for the Wallabies, captained New South Wales and has previously been a Board Director of New South Wales Rugby Union. |
| John Eales AM<br>Non-Executive Director | John joined the ARU Board in April 2010 and is a member of the Human Resources Committee. John played for the Wallabies from 1991 to 2001 and captained them from 1996 to 2001. He is a founding partner of Mettle Group, which was acquired by Chandler Macleod in 2007. John is a director of Flight Centre Limited, International Quarterback, Fuji Xerox-DMS, GRM International and Executive Health Solutions. He is also an Ambassador for the Australian Indigenous Education Foundation. |
| Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon) FAICD<br>Deputy Chairman and Non-Executive Director | Brett joined the ARU Board in April 2011 and was appointed Deputy Chairman effective 1 January 2016. He is also the Chair of the Governance & Policy Committee. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and played 16 Tests for the Wallabies. From 2002 to 2005 he was the General Manager of ARU's High Performance Unit. Brett is the Chief Executive Officer of BOQ Specialist, a private bank that finances medical professionals and the healthcare sector. Prior to his appointment to BOQ Specialist he held executive management roles which have included Managing Director and CEO of ICON Cancer Care, the Australian Chief Executive Officer of Allianz Global Assistance (formerly Mondial Assistance) and executive leadership roles within Insurance Australia Group (IAG) with responsibility for its key brands of NRMA, CGU and Swann in Queensland. In 2014 Brett was appointed as Chairman of Kings College at the University of Queensland. Brett is registered to practice in Queensland and continues to assist orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research. |
| Ann Sherry AO<br>BA, Grad Dip IR, FAICD<br>FIPAA, HonDLitt *Macq*<br>HonDBus *UQ*<br>Non-Executive Director | Ann joined the ARU Board in June 2012. She is the Chair of the Human Resources Committee and a member of the Governance & Policy Committee. Ann is the Executive Chair of Carnival Australia, the largest cruise ship operator in Australasia. She was Chief Executive Officer at Carnival Australia for 9 years, and for 12 years before that Ann was a senior executive in the banking sector, including as Chief Executive Officer, Westpac New Zealand, Chief Executive Officer Bank of Melbourne and Group Executive of People and Performance at Westpac. Ann was the First Assistant Secretary of the Office of the Status of Women in Canberra. Ann is a non-executive director of ING Direct (Australia), Sydney Airport Corporation, Myer Family Investments and Palladium. She is a director of Cape York Partnerships and The Museum of Contemporary Art. |

| | |
|---|---|
| Geoffrey Stooke OAM<br>Non-Executive Director | Geoffrey joined the Board in March of 2012 after a lengthy-stint as Chairman of RugbyWA from 1988 to 2011. He is a member of the Audit and Risk Committee and the Governance & Policy Committee. Geoffrey is the Chairman and Managing Director of Standard Wool Investments Pty Limited and Chairman of Troppus IT & Management Services Pty Limited. Prior to his current roles he held senior management roles in the resources, fishing and food industries, after his early career saw him as an Officer in the Australian Regular Army - which included service in Australia and abroad. Geoffrey was a director of the Australian Sports Commission from 2005 to 2006. He has had a lifelong involvement in rugby and since 1965 has played over 800 grade games including over 600 for the Associates club in Perth. |
| Paul McLean MBE<br>Non-Executive Director | Paul joined the Board on 27 August 2013 and is a member of the Human Resources Committee. After joining the global real estate services provider, Savills, in 1990, Paul is now the CEO - Savills Australia and NZ. Paul is a former Wallaby and Queensland captain and was inducted into the Wallaby Hall of Fame in 2011. He was President of Queensland Rugby Union from 1999 – 2005, President of the Australian Rugby Union from 2005-2009 and was a member of World Rugby's Executive Committee from 2007-2009. Paul is also a Director of Youngcare and has been a member of the Property Male Champions of Change group since 2014. |
| Cameron Clyne<br>Chairman and Non-Executive Director | Cameron joined the Board in October 2013 and was appointed Chairman effective 1 January 2016. He is also the Chair of the Audit & Risk Committee. Cameron was the Managing Director and Group Chief Executive Officer of the National Australia Bank from January 2009 until August 2014. He joined NAB in 2004 following more than 12 years with PricewaterhouseCoopers, leading the Financial Services Industry practice in the Asia Pacific. Cameron was selected as one of 245 people globally as a Young Global Leader by the World Economic Forum to address global challenges including health, education and the environment. |
| Nerolie Withnall<br>Non-Executive Director | Nerolie joined the Board in October 2013 and resigned in June 2015. Nerolie is a former partner of national law firm Minter Ellison working in commercial law. Nerolie's Board career includes her current role as Chair of international testing services business ALS and non-executive Board roles with resources company PanAust and global registry company Computershare. |
| Bill Pulver<br>Managing Director and CEO | Bill was appointed CEO of Australian Rugby Union in February 2013. Prior to rugby Bill was CEO of Appen, a linguistic technology company. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research. Bill also spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. Prior to that he spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London. |
| Liz Broderick<br>Non-Executive Director | Liz joined the Board in February 2016. She served as Australian Sex Discrimination Commissioner from 2007 to 2015 which included developing the Male Champions of Change strategy and leading the first independent review into the treatment of women within the Australian Defence Force. She is Global Co-Chair of the Women's Empowerment Principles Leadership Group, a Member of Australian Defence Force Gender Equality Advisory Board and a former Member of World Bank's Advisory Council on Gender and Development. She is also a Special Advisor to the Executive Director of UN Women (New York). Liz was previously a partner and board member at law firm Blake Dawson (now Ashurst). |
| Pip Marlow<br>Non-Executive Director | Pip joined the Board in February 2016. She is the Managing Director of Microsoft Australia. Prior to this she held various positions across the Microsoft business, including General Manager for US Channel Sales (based at Microsoft's head office in Seattle, US), Director of Small and Medium Business Solutions and Partners, Public Sector Director, and Enterprise and Partner Group Director. Pip was born and raised in Palmerston North, New Zealand where she developed a lifelong passion for rugby. |

## 2. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Human Resources Committee Meetings | | Governance & Policy Committee Meetings | | Nominations Committee Meetings | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr M Hawker | 6 | 6 | 3 | 3 | | | | | 6 | 6 |
| Mr J Eales | 6 | 6 | | | 4 | 4 | | | | |
| Dr B Robinson | 6 | 6 | | | | | 2 | 2 | | |
| Ms A Sherry | 6 | 6 | | | 4 | 4 | 2 | 2 | | |
| Mr G Stooke | 6 | 6 | 3 | 3 | | | 2 | 2 | | |
| Mr P McLean | 6 | 6 | | | 4 | 4 | | | | |
| Mr C Clyne | 6 | 6 | 3 | 3 | | | | | | |
| Mrs N Withnall | 2 | 2 | | | | | | | | |
| Mr W Pulver | 6 | 6 | | | | | | | | |

A = Number of Meetings Attended

B = Reflects the number of meetings held during the time the Director held office during the year

## 3. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

## 4. Principal activities

The Group's principal activities during the course of the financial year were the promotion, development and general governance of the game of rugby union in Australia.

No significant change in the nature of this activity occurred during the year.

## 5. Review of operations and results of those operations

**Overview of the consolidated entity**

The consolidated entity comprises the Australian Rugby Union Ltd ("ARU"), the Australian Rugby Foundation Ltd (ARF), and Melbourne Rebels Rugby Union Ltd ("MRRU"). Consolidation of MRRU is required due to the authority the ARU held over the appointment of MRRU board members. This authority was relinquished effective 30 June 2015 when the entity was sold to a private investor. The operating deficit of the consolidated entity for the financial year before allocations and other payments to Member Unions was a deficit of $3,035,000 (2014: deficit of $1,780,000).

The net deficit of the consolidated entity for the financial year after allocations and other payments to Member Unions was $6,329,000 (2014: deficit of $5,512,000).

In October 2015 the ARU participated in the Rugby World Cup, the global rugby tournament managed by World Rugby on a quadrennial basis. In a year of World Cup participation, the organisation experiences significant reductions in broadcast, matchday and sponsorship revenues due to the reduced test match schedule required for the scheduling of the World Cup. Part of this lost revenue is covered by increased World Rugby funding in these years.

During 2015, the ARU secured major Federal and NSW Governments funding commitments to support the construction of a rugby development centre. The centre will be constructed on lands controlled by the Sydney Cricket and Sports Ground Trust under an agreement which will provide ARU with significant long term tenure on the site. The development will be a joint venture with the University of Technology Sydney ("UTS") who will be co-tenants in the centre. A separate legal entity, Rugby Australia House Pty Ltd, was established in December 2015 in joint ownership with UTS to independently manage the project.

In late 2015 the ARU finalised its broadcast negotiations for its next rights period of five years through to 2020. The negotiations were highly successful with major increases in revenues achieved across all world-wide territories The agreements cover the ARU's joint SANZAAR controlled competitions of Super Rugby and The Rugby Championship as well as the locally owned and managed National Rugby Championship. The impact of these of these increased revenues, together with more favourable prevailing USD exchange rates will greatly enhance the financial future of the game.

In its first full year of operation, the ARF, established in 2014 to attract greater private investment for the promotion and development rugby, reported a surplus of $699,000, after allowing for investment activities of $232,500. Those investment activities included support for Australian Women's Sevens program and Indigenous programs via the Lloyd McDermott Rugby Development Team.

At the end of 2015 the ARU delivered its strategic plan for 2016-2020. The plan was developed in conjunction with its member unions and the process included the establishment of a National Charter which seeks to define and clarify the respective roles of the ARU and its member unions in the development and management of the game.

## 6. Significant changes in the state of affairs

MRRU ceased to be a controlled entity effective 30 June 2015 following the sale of the entity to a private investor.

There were no other significant changes in the state of affairs.

## 7. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 8. Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 9. Indemnification and insurance of officers

In accordance with the Company's Constitution, during the financial year the Company has paid premiums for insurance contracts in respect of directors' and officers' liability and legal expenses. Such insurance contracts insure persons who are or have been directors or executive officers of the consolidated entity against certain liability (subject to specific exclusions).

## 10. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the financial year ended 31 December 2015.

## 11. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This reports is made out in accordance with a resolution of the directors:

**C. Clyne**
Director

**W. Pulver**
Director

Dated at Sydney this 22nd day of March 2016

KPMG

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
*Partner*

Sydney

22 March 2016

## Income Statements
## For the year ended 31 December 2015

| | Note | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | | | | | |
| Broadcasting | | 18,102 | 18,102 | 26,168 | 26,168 |
| Matchday | | 16,022 | 12,322 | 34,843 | 31,774 |
| Sponsorships | | 23,579 | 21,361 | 31,916 | 28,700 |
| Licensing | | 1,901 | 1,886 | 1,921 | 1,857 |
| Government grants | | 2,385 | 2,385 | 2,575 | 2,575 |
| World Rugby grants | | 18,990 | 18,990 | 686 | 686 |
| Other income | | 3,858 | 3,018 | 5,289 | 5,092 |
| **Total revenue and other income** | | **84,837** | **78,064** | 103,398 | **96,852** |
| **Operating expenditure** | | | | | |
| Commission & Servicing costs | | 3,864 | 2,960 | 4,056 | 3,870 |
| Matchday operations | | 6,622 | 5,522 | 16,536 | 15,071 |
| Marketing & media | | 3,198 | 2,819 | 4,294 | 3,468 |
| Wallabies team costs | | 5,637 | 5,637 | 5,853 | 5,853 |
| National Sevens teams costs | | 3,493 | 3,493 | 3,724 | 3,724 |
| Super Rugby teams costs | | 4,178 | 3,304 | 4,053 | 3,177 |
| Super Rugby grants | *18* | 19,701 | 25,152 | 17,713 | 23,763 |
| Player payments & RUPA costs | | 14,982 | 12,778 | 16,274 | 12,565 |
| High Performance & National Teams | | 5,338 | 5,105 | 6,769 | 6,769 |
| SANZAR office | | 1,237 | 1,237 | 1,212 | 1,212 |
| Community Rugby | | 2,368 | 2,366 | 4,372 | 4,294 |
| Corporate | | 17,562 | 14,549 | 20,799 | 16,167 |
| **Total operating expenditure** | | **88,180** | **84,922** | 105,655 | **99,933** |
| **Operating (deficit)/surplus before financing income** | | **(3,343)** | **(6,858)** | (2,257) | (3,081) |
| Finance income | | 1,579 | 1,575 | 489 | 478 |
| Finance costs | | (1,464) | (1,465) | (126) | (121) |
| **Net finance income** | *3* | **115** | **110** | 363 | 357 |
| **(Deficit)/Surplus after net finance income** | | **(3,228)** | **(6,748)** | (1,894) | (2,724) |
| Share of profit/(loss) of jointly controlled entity | *12* | 193 | 193 | 114 | 114 |
| **(Deficit)/Surplus before tax** | | **(3,035)** | **(6,555)** | (1,780) | (2,610) |
| Income tax expense | *5* | - | - | - | - |
| **(Deficit)/Surplus for the period before allocations** | | **(3,035)** | **(6,555)** | (1,780) | (2,610) |
| Allocations to Member Unions & Affiliates | *18* | (3,294) | (3,294) | (3,732) | (3,732) |
| **(Deficit)/Surplus for the period** | *24* | **(6,329)** | **(9,849)** | (5,512) | (6,342) |
| **Profit attributable to:** | | | | | |
| Members of the Company | | (5,595) | (9,849) | (3,078) | (6,342) |
| Non-controlling interests | | (734) | - | (2,434) | - |

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 14 to 34.

## Statements of comprehensive income
## For the year ended 31 December 2015

| | Note | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 | 2014 Consolidated Entity $'000 | 2014 Parent Entity $'000 |
|---|---|---|---|---|---|
| **(Deficit)/Surplus for the period** | | **(6,329)** | **(9,849)** | **(5,512)** | **(6,342)** |
| **Other comprehensive income/(loss):** | | | | | |
| **Items that will never be reclassified to profit or loss** | | | | | |
| Net change in fair value of fixed assets taken to equity | | 387 | 387 | - | - |
| **Total items that will never be reclassified to profit or loss** | | **387** | **387** | - | - |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Net change in fair value of cash flow hedges transferred to profit and loss | | (325) | (325) | (898) | (898) |
| Net change in fair value of cash flow hedges taken to equity | | 1,680 | 1,680 | 450 | 450 |
| **Total items that may be reclassified subsequently to profit or loss** | | **1,355** | **1,355** | **(448)** | **(448)** |
| **Other comprehensive income/(loss) for the period** | | **1,742** | **1,742** | **(448)** | **(448)** |
| **Total comprehensive (loss)/income for the period** | | **(4,587)** | **(8,107)** | **(5,960)** | **(6,790)** |
| **Comprehensive (loss)/income for the period attributable to:** | | | | | |
| Members of the Company | | **(3,853)** | **(8,107)** | **(3,525)** | **(6,790)** |
| Non-controlling interests | | **(734)** | **-** | **(2,434)** | **-** |

*The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 14 to 34.*

## Statements of financial position
## As at 31 December 2015

| | Note | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|---|
| | | *$'000* | *$'000* | *$'000* | *$'000* |
| **Current assets** | | | | | |
| Cash and cash equivalents | *6* | 10,347 | 9,737 | 8,015 | 7,840 |
| Trade and other receivables | *7* | 5,144 | 5,053 | 13,399 | 13,170 |
| Financial assets | *8* | 1,078 | 1,078 | - | - |
| Other assets | *9* | 1,258 | 1,258 | 656 | 569 |
| **Total current assets** | | **17,827** | **17,126** | **22,070** | **21,579** |
| **Non-current assets** | | | | | |
| Trade and other receivables | *7* | 78 | 78 | 78 | 78 |
| Financial assets | *8* | 547 | 547 | - | - |
| Other assets | *9* | 731 | 731 | - | - |
| Property, plant and equipment | *10* | 1,949 | 1,949 | 1,936 | 1,861 |
| Intangible assets | *11* | 3,570 | 3,570 | 2,833 | 2,833 |
| Investment in Joint Venture | *12* | 734 | 734 | 1,100 | 1,100 |
| **Total non-current assets** | | **7,609** | **7,609** | **5,947** | **5,872** |
| **Total assets** | | **25,436** | **24,735** | **28,017** | **27,451** |
| **Current liabilities** | | | | | |
| Trade and other payables | *13* | 8,969 | 8,956 | 8,375 | 7,264 |
| Deferred revenue | *14* | 11,212 | 11,212 | 9,588 | 7,338 |
| Employee benefits | *16* | 797 | 797 | 930 | 912 |
| Financial liabilities | *17* | 720 | 720 | 3,904 | 3,885 |
| **Total current liabilities** | | **21,698** | **21,685** | **22,797** | **19,399** |
| **Non-current liabilities** | | | | | |
| Deferred revenue | *14* | - | - | - | - |
| Other liabilities | *15* | 212 | 212 | 212 | 212 |
| Employee benefits | *16* | 155 | 155 | 127 | 127 |
| Financial liabilities | *17* | 3,928 | 3,928 | 851 | 851 |
| **Total non-current liabilities** | | **4,295** | **4,295** | **1,190** | **1,190** |
| **Total liabilities** | | **25,993** | **25,980** | **23,987** | **23,590** |
| **Net assets** | | **(557)** | **(1,245)** | **4,030** | **6,862** |
| **Equity** | | | | | |
| Retained surplus | | 399 | 399 | 19,012 | 10,248 |
| Minority interest | | 688 | - | (11,596) | - |
| Realised cash flow hedge reserve | | - | - | 325 | 325 |
| **Total capital position** | | **1,087** | **399** | **7,742** | **10,573** |
| Asset revaluation reserve | | 1,290 | 1,290 | 903 | 903 |
| Unrealised cash flow hedge reserve | | (2,934) | (2,934) | (4,614) | (4,614) |
| **Total equity** | | **(557)** | **(1,245)** | **4,030** | **6,862** |

*The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 14 to 34.*

## Statement of changes in equity (Parent company)
## For the year ended 31 December 2015

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cash flow hedge reserve realised* | | *Cash flow hedge reserve unrealised* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| *Balance at beginning of period* | 10,248 | 16,590 | 903 | 903 | 325 | 1,223 | (4,614) | (5,064) | 6,862 | 13,652 |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | (9,849) | (6,342) | - | - | - | - | - | - | (9,849) | (6,342) |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | |
| *Net change in fair value of fixed assets transferred to equity* | - | - | 387 | - | - | - | - | - | 387 | - |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (325) | (898) | - | - | (325) | (898) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | 1,680 | 450 | 1,680 | 450 |
| ***Total comprehensive (loss)/income for the period*** | **(9,849)** | **(6,342)** | **387** | **-** | **(325)** | **(898)** | **1,680** | **450** | **(8,107)** | **(6,790)** |
| ***Balance at end of period*** | **399** | **10,248** | **1,290** | **903** | **-** | **325** | **(2,934)** | **(4,614)** | **(1,245)** | **6,862** |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 14 to 34.*

## Statement of changes in equity (Consolidated entity)
## For the year ended 31 December 2015

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cashflow hedge reserve realised* | | *Cashflow hedge reserve unrealised* | | *Non-controlling Interest* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 | **2015 $'000** | 2014 $'000 |
| *Balance at beginning of period* | 19,012 | 22,090 | 903 | 903 | 325 | 1,223 | (4,614) | (5,064) | (11,596) | (9,162) | 4,030 | 9,990 |
| *Balance released on subsidiary loss of control* | (13,018) | - | - | - | - | - | - | - | 13,018 | - | - | - |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | (5,595) | (3,078) | - | - | - | - | - | - | (734) | (2,434) | (6,329) | (5,512) |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | | | |
| *Net change in fair value of fixed assets transferred to equity* | - | - | 387 | - | - | - | - | - | - | - | 387 | - |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (325) | (898) | - | - | - | - | (325) | (898) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | 1,680 | 450 | - | - | 1,680 | 450 |
| ***Total comprehensive (loss)/income for the period*** | **(5,595)** | (3,078) | **387** | - | **(325)** | (898) | **1,680** | 450 | **(734)** | (2,434) | **(4,587)** | (5,960) |
| ***Balance at end of period*** | **399** | 19,012 | **1,290** | 903 | **-** | 325 | **(2,934)** | (4,614) | **688** | (11,596) | **(557)** | 4,030 |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 14 to 34.*

# Statement of cashflows
## For the year ended 31 December 2015

| | Note | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | |
| Cash receipts in the course of operations | | 100,125 | 95,155 | 105,918 | 99,216 |
| Cash payments in the course of operations | | (95,851) | (91,249) | (112,760) | (102,919) |
| **Net cash provided by/(used in) operating activities** | *24(a)* | **4,274** | **3,906** | **(6,842)** | **(3,703)** |
| **Cash flows from investing activities** | | | | | |
| Net interest received | | 54 | 50 | 464 | 455 |
| Proceeds from sale of property, plant and equipment | | 63 | - | - | - |
| Payments for property, plant and equipment | | (157) | (157) | (360) | (360) |
| Payments for intangibles | | (980) | (980) | (1,264) | (1,264) |
| Dividends from equity-accounted investees | | 559 | 559 | - | - |
| **Net cash used in investing activities** | | **(461)** | **(528)** | **(1,160)** | **(1,169)** |
| **Cash flows from financing activities** | | | | | |
| Net Proceeds from / (repayment) of borrowings | | 1,813 | 1,813 | 1,939 | 1,939 |
| Loans issued to related parties | | - | - | (12) | (3,262) |
| Allocations to Member Unions & Affiliates | | (3,294) | (3,294) | (3,732) | (3,732) |
| **Net cash used in financing activities** | | **(1,481)** | **(1,481)** | **(1,805)** | **(5,055)** |
| **Net increase / (decrease) in cash held** | | **2,332** | **1,897** | **(9,807)** | **(9,927)** |
| Cash at beginning of year | | 8,015 | 7,840 | 17,822 | 17,767 |
| **Cash at end of year** | *24(b)* | **10,347** | **9,737** | **8,015** | **7,840** |

*The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 14 to 34*

## Note 1. Statement of significant accounting policies

### (a) Reporting entity

Australian Rugby Union Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 29-57 Christie Street, St. Leonards, NSW, 2065.

### (b) Basis of Accounting

In the opinion of the directors, the Group is not publicly accountable. These consolidated financial statements are Tier 2 general purpose consolidated financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act 2001. These consolidated financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

These consolidated financial statements were authorised for issue by the Board of Directors on 22nd March 2016.

### (c) Basis of preparation

The consolidated financial report is presented in Australian dollars.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The financial statements have been prepared on a going concern basis based on an analysis of the forecast cash flows from operations of the Group. These assumptions could be impacted by downside risks, particularly impacting Super Rugby franchise teams that may require the Company to incur additional costs in order to field teams under its Broadcasting obligations. The Company considers that if such additional costs were to be incurred they can be funded through a combination of positive cash flow initiatives that are within its control.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the consolidated financial report.

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

### (d) Use of judgements and estimates

The preparation of a consolidated financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## Note 1. Statement of significant accounting policies *(continued)*

### (e) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company and its consolidated entity, except for AASB 9 Financial Instruments, which becomes mandatory for the 2018 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 9 Financial Instruments
AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 introduces new requirements for the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.

AASB 15 Revenue from Contracts with Customers
AASB15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance AASB 118 *Revenue*. AASB 15 is effective for annual reporting from 2018 financial statements and the Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

IFRS 16 Leases
IFRS 16 Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt IRFS 15 *Revenue from contracts with customers*. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

### (f) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

### (g) Financial Instruments and Risk Management

#### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g) iv).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

## Note 1. Statement of significant accounting policies *(continued)*

### ii Financial assets at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

### iii Currency Risk

At any point in time, the Company hedges 100% of its foreign currency exposure in respect of contracted broadcasting and other revenues denominated in a foreign currency. These contracted revenues are predominantly in United States Dollars (USD), Great British Pounds (GBP) and Euro (EUR).

The Company uses forward exchange contracts to hedge its currency risk, with maturity dates aligned to contracted payment terms. These contracts are designated as cash flow hedges.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by utilising small value operational foreign currency receipts to settle foreign currency payments. The Company will buy or sell foreign currency at spot rate when necessary to address short-term imbalances.

### iv Foreign Exchange Policy

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

## Note 1. Statement of significant accounting policies *(continued)*

### (h) Property, plant and equipment

#### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

#### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. The Company undertook and independent valuation of Memorabilia during the reporting period (refer Note 10).

### (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement.

### (j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

## Note 1. Statement of significant accounting policies *(continued)*

### (k) Consumables

Stocks of coaching manuals, law books and other items which are held for resale are recognised as consumables. Consumables also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business.

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other consumables is based on the first-in first-out principle and includes expenditure incurred in acquiring the consumables and bringing them to their existing location and condition.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

### (m) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (m (i))).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

#### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Note 1. Statement of significant accounting policies *(continued)*

### (n) Employee benefits

#### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

#### iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

### (o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.

### (q) Revenue

#### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales.

Broadcast revenue is recognised using a percentage of completion method determined for each broadcast right (The Rugby Championship, Super Rugby, inbound test matches) based on the number of matches scheduled to be played each year as a proportion of total scheduled matches for each right.

Sponsorship revenue is recognised in line with the terms specified in the relevant contracts.

Revenue from ticket sales is recognised at the time the match is played.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

# Notes to the financial statements
**For the year ended 31 December 2015**

## Note 1. Statement of significant accounting policies *(continued)*

### (q) Revenue *(continued)*

#### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant. Grants from the World Rugby are recorded when the Company has met the conditions or provided services associated with the grant. In respect of Rugby World Cup grants, such conditions and/or services are not considered to be met until the Company's representative team participates in the World Cup.

### (r) Expenses

#### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

#### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (g)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### (s) Loans & receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method less impairment losses (see accounting policy (m)).

### (t) Equity

#### i Capital

There is no issued capital in ARU. The Company is an entity limited by guarantee and has voting members from state based rugby governing bodies and Super Rugby franchises.

#### ii Asset revaluation reserve

The revaluation reserve relates solely to the adjustment for the revaluation of Memorabilia assessed by an independent valuer.

#### iii Unrealised cashflow hedge reserve

The unrealised cashflow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges.

#### iv Retained surplus/(deficit)

The retained surplus/(deficit) reserve comprised the transfer of net earnings or loss for the year and characterises surplus funds available for use by the Company in future years.

## Note 1. Statement of significant accounting policies *(continued)*

### (u) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

Australian Rugby Foundation Ltd is exempt from income tax under the terms of Division 50 if the Income Tax Assessment Act 1997.

Melbourne Rebels Rugby Union Ltd is a taxable entity under Income Tax Assessment Act 1997.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss extent to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (s) Basis of consolidation

#### i Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

#### ii Interest in equity-accounted investees

Interest in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit of loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

## Note 2. Other expenses

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Employee benefits** | | | | |
| Wages and salaries | 16,719 | 13,394 | 23,669 | 16,298 |
| Superannuation | 1,525 | 1,200 | 1,872 | 1,262 |
| **Total employee benefits** | **18,244** | **14,594** | **25,541** | **17,560** |
| Amortisation | 243 | 243 | 255 | 255 |
| Depreciation of Plant and equipment | 468 | 455 | 650 | 608 |
| **Total amortisation and depreciation** | **711** | **698** | **905** | **863** |
| Net expense from movements in provision for employee entitlements | (104) | (86) | (62) | (124) |
| Operating lease rental expense payments | 1,233 | 1,141 | 1,590 | 1,400 |

## Note 3. Finance income and finance costs

| | **$'000** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|---|
| Foreign exchange gain | 1,516 | 1,516 | - | - |
| Interest income | 63 | 59 | 489 | 478 |
| **Finance income** | **1,579** | **1,575** | **489** | **478** |
| **Finance costs** | | | | |
| Foreign exchange loss | (1,455) | (1,456) | (101) | (98) |
| Interest expense | (9) | (9) | (25) | (23) |
| **Finance costs** | **(1,464)** | **(1,465)** | **(126)** | **(121)** |
| **Net finance income** | **115** | **110** | **363** | **357** |

## Note 4. Auditors' remuneration

| | **$** | **$** | **$** | **$** |
|---|---|---|---|---|
| **Audit services** | | | | |
| Auditors of the Company - KPMG | | | | |
| Audit of the financial report – current | 90,280 | 69,200 | 101,750 | 61,000 |
| **Other services** | | | | |
| Auditors of the Company – KPMG | | | | |
| Other assurance services | 71,704 | 71,704 | 18,259 | 18,259 |
| | **161,984** | **140,904** | **120,009** | **79,259** |

## Note 5. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The Company did not have any Tax Expense from revenue earned from overseas activities.

Australian Rugby Foundation Ltd (ARF) is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The ARF did not have any Tax Expense from revenue earned from overseas activities.

Melbourne Rebels Rugby Union Ltd is a tax paying entity. The change in ownership of this business included the transfer of any Deferred tax assets or liabilities attributable to current and prior year trading losses to the new owners.

## Note 6. Cash and cash equivalents

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at bank and on hand | 9,910 | 9,698 | 7,976 | 7,801 |
| Cash on deposit | 437 | 39 | 39 | 39 |
| Cash and cash equivalents in the statement of cash flows | **10,347** | **9,737** | 8,015 | **7,840** |

Neither the Group nor the Company has a bank overdraft or any other bank debt at balance date. The Company held an overdraft facility with the bank of $5 million as at balance date. This facility expired on 31st January 2016 and was not utilised at all during the contracted period.

## Note 7. Trade and other receivables

| | **$'000** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | 1,717 | 1,646 | 2,294 | 2,026 |
| Other receivables | 3,427 | 3,407 | 11,105 | 11,144 |
| | **5,144** | **5,053** | **13,399** | **13,170** |
| **Non-current** | | | | |
| Other receivables | 78 | 78 | 78 | 78 |
| | **78** | **78** | **78** | **78** |

## Note 8. Financial assets

| | **$'000** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|---|
| **Current** | | | | |
| Foreign exchange forward contracts | 1,078 | 1,078 | - | - |
| | **1,078** | **1,078** | - | - |
| **Non Current** | | | | |
| Foreign exchange forward contracts | 547 | 547 | - | - |
| | **547** | **547** | - | - |

## Note 9. Other assets

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Consumables | 23 | 23 | 153 | 153 |
| Prepayments | 1,235 | 1,235 | 503 | 416 |
| | **1,258** | **1,258** | **656** | **569** |
| **Non Current** | | | | |
| Prepayments | 731 | 731 | - | - |
| | **731** | **731** | **-** | **-** |

## Note 10. Property, plant and equipment

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Memorabilia | | | | |
| At fair value | 1,313 | 1,313 | 927 | 927 |
| Accumulated depreciation | (138) | (138) | (114) | (114) |
| **Total memorabilia** | **1,175** | **1,175** | **813** | **813** |
| Plant and equipment | | | | |
| At cost | 2,724 | 2,724 | 3,798 | 2,567 |
| Accumulated depreciation | (1,950) | (1,950) | (2,675) | (1,519) |
| **Total plant and equipment** | **774** | **774** | **1,123** | **1,048** |

As part of the Company policy to engage an independent valuer to assess the carrying value of Memorabilia every three (3) years, this process was undertaken during the reporting period. The review resulted in an increase in the carrying amount of Memorabilia of $386,000, which subsequently increased the balance of the asset revaluation reserve in equity.

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|
| **Memorabilia** | **$'000** | **$'000** |
| Cost | | |
| Balance at 1 January | 927 | 927 |
| Revaluation taken to equity | 248 | 248 |
| Balance at 31 December | **1,175** | **1,175** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | (114) | (114) |
| Depreciation | (24) | (24) |
| Revaluation taken to equity | 138 | 138 |
| Balance at December | **(0)** | **(0)** |
| | | |
| Carrying amounts | | |
| At 1 January | 813 | 813 |
| At 31 December | 1,175 | 1,175 |

## Note 10. Property, plant and equipment *(continued)*

| | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|
| **Plant and equipment** | **$'000** | **$'000** |
| Cost | | |
| Balance at 1 January | 3,798 | 2,567 |
| Additions | 157 | 157 |
| Disposals | (1,231) | - |
| Balance at 31 December | **2,724** | **2,724** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | (2,675) | (1,519) |
| Depreciation | (444) | (431) |
| Disposals | 1,169 | - |
| Balance at December | **(1,950)** | **(1,950)** |
| | | |
| Carrying amounts | | |
| At 1 January | 1,123 | 1,048 |
| At 31 December | 774 | 774 |

## Note 11. Intangible Assets

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | $'000 | **$'000** |
| Intellectual Property | 2,100 | 2,100 | 1,300 | 1,300 |
| Software | 2,121 | 2,121 | 1,941 | 1,941 |
| Accumulated amortisation | (651) | (651) | (408) | (408) |
| | **3,570** | **3,570** | **2,833** | **2,833** |

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|
| **Trademarks** | **$'000** | **$'000** |
| Cost | | |
| Balance at 1 January | 1,300 | 1,300 |
| Additions | 800 | 800 |
| Balance at 31 December | **2,100** | **2,100** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | - | - |
| Depreciation | - | - |
| Balance at December | - | - |
| | | |
| Carrying amounts | | |
| At 1 January | 1,300 | 1,300 |
| At 31 December | 2,100 | 2,100 |

## Note 11. Intangible Assets *(continued)*

| | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|
| **Software** | **$'000** | **$'000** |
| Cost | | |
| Balance at 1 January | 1,941 | 1,941 |
| Additions | 180 | 180 |
| Disposals | - | - |
| Balance at 31 December | **2,121** | **2,121** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | (408) | (408) |
| Depreciation | (243) | (243) |
| Balance at December | **(651)** | **(651)** |
| | | |
| Carrying amounts | | |
| At 1 January | 1,533 | 1,533 |
| At 31 December | 1,470 | 1,470 |

## Note 12. Investment in joint venture

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Investment in SANZAR Europe S.a.r.l. | 954 | 954 | 836 | 836 |
| Less dividends received | (559) | (559) | - | - |
| Share of profit/(loss) for the current period | 179 | 179 | 118 | 118 |
| | **574** | **574** | 954 | 954 |
| | | | | |
| Investment in SANZAR Pty Ltd | 146 | 146 | 150 | 150 |
| Share of profit/(loss) for the current period | 14 | 14 | (4) | (4) |
| | **160** | **160** | 146 | 146 |
| | **734** | **734** | 1,100 | 1,100 |

## Note 13. Trade and other payables

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Trade creditors | 1,858 | 1,788 | 1,098 | 1,996 |
| Member Union creditors and accruals | 109 | 109 | 513 | 463 |
| Other creditors and accruals | 7,002 | 7,059 | 6,764 | 6,335 |
| | **8,969** | **8,956** | 8,375 | 7,264 |

## Note 14. Deferred revenue

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Test match revenue | 284 | 284 | 844 | 844 |
| Broadcasting license fees | 4,568 | 4,568 | 1,702 | 1,702 |
| Sponsorships | 3,598 | 3,598 | 1,450 | 481 |
| Government grants | 427 | 427 | 687 | 687 |
| World Rugby – Rugby World Cup | 338 | 338 | 3,550 | 3,550 |
| Super Rugby Memberships | - | - | 1,281 | - |
| Rugby Australia House | 1,997 | 1,997 | - | - |
| Other | - | - | 74 | 74 |
| | **11,212** | **11,212** | 9,588 | 7,388 |

## Note 14. Deferred revenue *(continued)*

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current** | | | | |
| Other | - | - | - | - |
| | **-** | **-** | | |

## Note 15. Other liabilities

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current** | | | | |
| Provision for make good | 212 | 212 | 212 | 212 |
| | **212** | **212** | **212** | **212** |

## Note 16. Employee benefits

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Annual leave | 530 | 530 | 616 | 598 |
| Long service leave | 267 | 267 | 314 | 314 |
| | **797** | **797** | **930** | **912** |
| **Non-Current** | | | | |
| Long service leave | 155 | 155 | 127 | 127 |
| | **155** | **155** | **127** | **127** |
| | **952** | **952** | **1,056** | **1,038** |

**Superannuation**

The Group contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted by the Company during the period was $1,200,000 (2014: $1,262,000). The value of contributions remitted by the Group during the period was $1,525,000 (2014: $1,872,000).

## Note 17. Financial liabilities

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Financial Lease | 41 | 41 | 143 | 124 |
| Foreign exchange forward contracts | 679 | 679 | 3,761 | 3,761 |
| | **720** | **720** | **3,904** | **3,885** |
| **Non-Current** | | | | |
| Financial Lease | 49 | 49 | - | - |
| Foreign exchange forward contracts | 3.879 | 3,879 | 851 | 851 |
| | **3,928** | **3,928** | **851** | **851** |
| | **4,648** | **4,648** | **4,755** | **4,736** |

## Note 18. Transactions with Member Unions

The Company entered into various transactions with its member unions during the course of the year.

### i Super Rugby grants

Super Rugby participation funding and high performance funding supplied in accordance with agreements:

| | 2015 Consolidated Entity | 2015 Parent Entity | 2014 Consolidated Entity | 2014 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| Queensland Rugby Union Ltd | 4,072 | 4,072 | 4,195 | 4.195 |
| Waratahs Rugby Pty Ltd | 4,117 | 4,117 | 4,268 | 4,300 |
| Melbourne Rebels Rugby Union Ltd | 3,570 | 9,021 | 1,200 | 7,250 |
| Western Australia Rugby Union Inc | 4,038 | 4,038 | 4,000 | 4,000 |
| ACT & Southern NSW Rugby Union Ltd | 3,905 | 3,905 | 4,050 | 4,050 |
| | **19,701** | **25,152** | **17,713** | **23,795** |

### ii Allocations to member unions and affiliates

Community Funding supplied in accordance with memorandums of understanding or similar agreement:

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Queensland Rugby Union Ltd | 850 | 850 | 1,425 | 1,425 |
| New South Wales Rugby Union Ltd | 1,161 | 1,161 | 480 | 480 |
| Australian Rugby Football Schools Union | 358 | 358 | 460 | 460 |
| Victoria Rugby Union Inc | 215 | 215 | 325 | 325 |
| ACT & Southern NSW Rugby Union Ltd | 95 | 95 | 244 | 244 |
| Western Australia Rugby Union Inc | 90 | 90 | 200 | 200 |
| Northern Territory Rugby Union Inc | 205 | 205 | 240 | 240 |
| South Australian Rugby Union Ltd | 210 | 210 | 260 | 260 |
| Tasmanian Rugby Union Inc | 70 | 70 | 58 | 58 |
| Other | 40 | 40 | 40 | 40 |
| **Total** | **3,294** | **3,294** | **3,732** | **3,732** |

Grant funding to Melbourne Rebels Rugby Union of $9,021,000 includes the write off of loans provided during the reporting period of $4,268,000. Fully provided loans from prior reporting periods totalling $8,750,000 were forgiven and cleared from the balance sheet.

At balance date, there was $124,000 in outstanding loan balances from various member unions. All amounts have been previously fully provided for by the Company. These amounts will be formally forgiven during the 2016 financial year.

## Note 19. Financial Instruments – Fair Values and Risk Management

Derivative assets and liabilities designated as cash flow hedges.

The following table indicates the periods in which the cash flows associated with cash flow hedges are *expected to occur* and the fair values of the related hedging instruments.

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Expected Cash Flows | | | | Expected Cash Flows | | |
| | Carrying Amount/ Fair Value | Total | 12mths or less | More than one year | Carrying Amount/Fair Value | Total | 12mths or less | More than one year |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Forward exchange contracts** | | | | | | | | |
| Assets | 308,929 | **305,996** | 59,820 | 246,176 | 28,951 | 33,564 | 25,668 | 7,896 |
| Liabilities | - | - | - | - | - | - | - | - |
| | **308,929** | **305,996** | **59,820** | **246,176** | **28,951** | **33,564** | **25,668** | **7,896** |

## Note 20. Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union, South African Rugby Football Union and Unión Argentina de Rugby has entered into agreements for the period 2016 to 2020 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition, to provide for Test matches as part of The Rugby Championship competition and the June test match window, and provide the National Rugby Championship for the period of the agreement.

### b) SANZAAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the broadcasting agreements for the 2016 to 2020 period. A renewed joint venture agreement, now including Unión Argentina de Rugby as a joint venture partner and Japan Rugby Union as a Super Rugby participant, aligned to the new 2016-2020 broadcast arrangements has been concluded.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc, Melbourne Rebels Rugby Union Ltd and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and High Performance Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2016.

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants *(continued)*

The total amounts payable by the Company for 2016 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 25,300 |
| High Performance Agreements | 5,915 |
| | **31,215** |

Further, the Company has entered into contractual funding arrangements with all member unions in relation to Community Rugby as follows:

| | $'000 |
|---|---|
| National Participation Funding | 4,663 |
| | **4,663** |

Participation Agreements are in place for the 2016 to 2020 period.

High Performance Agreements are in place for the 2016 year. These agreements are negotiated on a yearly basis.

National Participation Funding Agreements are in place for the 2016 year. These agreements are negotiated on a yearly basis.

### e) Lease commitments

| | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 | 2014 Consolidated Entity $'000 | 2014 Parent Entity $'000 |
|---|---|---|---|---|
| **Operating lease** | | | | |
| Less than one year | 1,178 | 1,178 | 1,137 | 1,137 |
| Between one and five years | 821 | 821 | 1,959 | 1,959 |
| More than five years | - | - | - | - |
| | **1,999** | **1,999** | **3,096** | **3,096** |
| **Finance lease** | | | | |
| Less than one year | - | - | - | - |
| Between one and five years | - | - | 19 | - |
| More than five years | - | - | - | - |
| | - | - | 19 | - |

The Company leases property under non-cancellable operating leases. The leases will expire within two years. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

### f) Rugby Development Centre

As part of the funding commitments from the Federal and NSW State governments, the Company is committed to invest $5 million as a co-contribution to the development of the rugby development centre. This investment will commence in 2016 and will be expended over the term of the construction which has an expected completion date of mid 2017.

## Note 21. Contingent liabilities

The Company is not aware of any Contingent liabilities.

## Note 22. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby and Rugby Championship rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2015 and the Company's interests are valued at $160,000 (2014: $146,000). See Note 12.

All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

### ii SANZAR Europe S.a.r.l

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company's share of the loss of its equity accounted investee for the year was $380,000 (2014 gain: $118,000). See Note 12.

### iii Rugby Australia House Pty Ltd

In 2015, the Company, in equal shareholding with the University of Sydney ("UTS"), established Rugby Australia House Pty Ltd to manage the funding and construction of the Australian Rugby Development Centre, and UTS Sports Faculty Centre at Moore Park. The estimated date of completion of the Centre is mid2017, after which time, the Company and UTS will occupy the premises as tenants.

### iv Rugby Shared Services Pty Ltd

The Company had a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd was to facilitate and develop efficiencies across various rugby operations. The operations of RSS ceased in 2014.

This entity remained dormant during the reporting period, with the assets and liabilities not material, and the Company's interests were therefore not consolidated in the Company's financial statements.

## Note 23. Other controlled entities

### i Australian Rugby Foundation Ltd

The Australian Rugby Foundation (ARF) was established in 2014 to attract greater private investment for the promotion and development rugby. The Company has board control and ownership which is limited by guarantee.

During the first full year of operation, ARF reported a surplus of $699,000. This surplus includes $409,000 revenue sourced from the Australian Rugby Welfare Fund. Management of the distribution of the Welfare Fund was assigned to ARF during the reporting period. The use of Welfare Fund monies is strictly limited to the welfare of rugby union players injured in the course of participating in the game of rugby.

## Note 23. Other controlled Entities *(continued)*

### ii Melbourne Rebels Rugby Union Ltd

The Company's control over Melbourne Rebels Rugby Union Ltd ("MRRU") was relinquished on 30th June 2015 pursuant to a sale and purchase agreement. Ownership of the Melbourne Rebels transferred from Victorian Rugby Union Inc to private investors at this time. No consideration was paid to the Company as part of this agreement. As part of the sale and purchase agreement, the Company forgave its loans to the MRRU as set out in Note 18.

The Statement of financial position of Melbourne Rebels Rugby Union Ltd as at 30th June 2015, net of the forgiveness of the Company's loan amounts, and subsequently transferred to private equity owners was:

| | $'000 |
|---|---|
| **Current Assets** | |
| Cash and cash equivalents | 163 |
| Trade and other receivables | 114 |
| Other assets | 47 |
| **Total current assets** | **324** |
| **Non current assets** | |
| Property, plant and equipment | 65 |
| **Total non-current assets** | **65** |
| **Total assets** | **389** |
| **Current liabilities** | |
| Trade and other payables | 303 |
| Employee Benefits | 86 |
| **Total current liabilities** | **389** |
| **Total liabilities** | **389** |
| **Net Assets** | **0** |
| **Equity** | |
| Capital | 25,143 |
| Retained surplus/(deficit) | (25,143) |
| **Total equity** | **0** |

## Note 24. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 | 2014 Consolidated Entity $'000 | 2014 Parent Entity $'000 |
|---|---|---|---|---|
| **Net (deficit)/surplus for the period** | (6,329) | (9,849) | (5,512) | (6,342) |
| **Add/(less) items classified as investing/financing** | | | | |
| Allocations to Member Unions | 3,294 | 3,294 | 3,732 | 3,732 |
| Interest received | (63) | (59) | (489) | (478) |
| Interest paid | 9 | 9 | 25 | 23 |
| Write-back of provision for doubtful debts | 41 | 26 | - | - |
| Impairment on related party loan | - | - | - | 3,250 |
| **Add/(less) non-cash items:** | | | | |
| Share of profit from jointly controlled entities | (193) | (193) | (114) | (114) |
| Amortisation & depreciation | 646 | 698 | 905 | 863 |
| Loss on disposal of assets | 63 | - | 239 | 239 |
| Release from realised cashflow hedge reserve | (325) | (325) | (898) | (898) |
| **Before change in assets and liabilities** | **(2,856)** | **(6,399)** | **(2,112)** | **275** |
| **Change in assets and liabilities during the financial period** | | | | |
| (Increase)/decrease in receivables | 6,400 | 6,384 | (1,546) | (1,713) |
| (Increase)/decrease in prepayments and consumables | (1,333) | (1,419) | 187 | 227 |
| Increase/(decrease) in payables and provisions | 439 | 1,466 | (2,611) | (2,398) |
| Increase/(decrease) in deferred revenue | 1,624 | 3,874 | (760) | (94) |
| **Net cash (used in)/provided by operating activities** | **4,274** | **3,906** | **(6,842)** | **(3,703)** |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 9,910 | 9,698 | 7,976 | 7,801 |
| Cash on deposit | 437 | 39 | 39 | 39 |
| | **10,347** | **9,737** | **8,015** | **7,840** |

## Note 25. Key management personnel disclosures

### (i) Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Reduced Disclosure Tier 2 General Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2015 $ Salary (Incl Super) | 2015 $ Incentives | 2014 $ Salary (Incl Super) | 2014 $ Incentives |
|---|---|---|---|---|
| Non-executive Directors | 16,425 | - | 32,777 | - |
| Executive Directors | 766,717 | 230,000 | 811,878 | - |
| | **783,142** | **230,000** | **768,662** | - |

The 2014 Executive Directors' remuneration has been restated to include reportable fringe benefits of $76,878 that was omitted from the prior year financial statements.

**Ordinarily the Directors of the Company are entitled to be paid directors' fees of $20,000 (plus superannuation) per annum, and the Chairman of the Board entitled to $40,000 (plus superannuation) per annum, paid monthly. During the year, the Directors and Chairman elected to forgo 92% of their fees.*

### (ii) Key management personnel and director transactions

The Company used the consultancy services of International Quarterback during the reporting period, securing sponsorship deals on a commission based structure. It is noted that Mr John Eales, a Director of the Company, also holds a Directorship with International Quarterback. The value of the transaction in the reporting period totalled $194,437. The terms and conditions of the commission arrangement with International Quarterback is such that the conditions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

# *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ('the Company') and its controlled entity ('the Group'):

a) the Company is not a reporting entity

b) the consolidated financial statements and notes, set out on pages 8 to 34, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company and the Group as at 31 December 2015 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 22nd March 2016

Signed in accordance with a resolution of the directors:

C. Clyne
Director

W. Pulver
Director

KPMG

## Independent auditor's report to the members of Australian Rugby Union Limited

We have audited the accompanying financial report of Australian Rugby Union Limited (the Company), which comprises the statements of financial position as at 31 December 2015, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration set out on page 35 of the company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion the financial report of Australian Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2015 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

Trent Duvall
*Partner*

Sydney

22 March 2016

**Australian Securities & Investments Commission**

| |
|---|
| Electronic Lodgement |
| Document No. **7E9016618** |
| Lodgement date/time: 02-05-2017 17:28:05 |
| Reference Id: 100038298 |

**Form 388**
Corporations Act 2001
**294, 295, 298-300, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**AUSTRALIAN RUGBY UNION LIMITED**

ACN

**002 898 544**

## Reason for lodgement of statement and reports

A public company limited by guarantee who qualifies under Tier 2

**Dates on which financial year ends**

Financial year end date
**31-12-2016**

## Auditor's report

Were the financial statements audited or reviewed?

**Audited**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**No**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**No**

## Details of current auditor or auditors

**Current auditor**

Date of appointment **22-02-1992**

Name of auditor

**KPMG**

Address

**10 SHELLY STREET**
**SYDNEY NSW 2000**

## Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

## Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

## Authentication

This form has been submitted by

| | |
|---|---|
| Name | John Richard HAWKINS |
| Date | 02-05-2017 |

**For more help or information**

| | |
|---|---|
| Web | www.asic.gov.au |
| Ask a question? | www.asic.gov.au/question |
| Telephone | 1300 300 630 |

Australian Rugby Union Limited

ABN 36 002 898 544

Reduced Disclosure Financial Report
31 December 2016

Australian Rugby Union Limited

## Contents

# Directors' report

The Directors of Australian Rugby Union Limited ('the Company') submit herewith their report together with the reduced disclosure consolidated financial report of the Company and its controlled entities ('the Group') for the year ended 31 December 2016 and the Auditor's report thereon.

In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

| | |
|---|---|
| John Eales AM<br>Non-Executive Director | John joined the ARU Board in April 2010 and is a member of the Human Resources Committee. John played for the Wallabies from 1991 to 2001 and captained them from 1996 to 2001. He is a founding partner of Mettle Group, which was acquired by Chandler Macleod in 2007. John is a director of Flight Centre Limited, International Quarterback, Fuji Xerox-DMS, Palladium Group and Executive Health Solutions. He is also an Ambassador for the Australian Indigenous Education Foundation. |
| Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon) FAICD<br>Deputy Chairman and Non-Executive Director | Brett joined the ARU Board in April 2011 and was appointed Deputy Chairman effective 1 January 2016. He is also the Chair of the Governance & Policy Committee. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and played 16 Tests for the Wallabies. From 2002 to 2005 he was the General Manager of ARU's High Performance Unit. Brett is the Chief Executive Officer of BOQ Specialist, a private bank that finances medical professionals and the healthcare sector. Prior to his appointment to BOQ Specialist he held executive management roles which have included Managing Director and CEO of ICON Cancer Care, the Australian Chief Executive Officer of Allianz Global Assistance (formerly Mondial Assistance) and executive leadership roles within Insurance Australia Group (IAG) with responsibility for its key brands of NRMA, CGU and Swann in Queensland. In 2014 Brett was appointed as Chairman of Kings College at the University of Queensland. Brett is registered to practice in Queensland and continues to assist orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research. |
| Ann Sherry AO<br>BA, Grad Dip IR, FAICD<br>FIPAA, HonDLitt *Macq*<br>HonDBus *UQ*<br>Non-Executive Director | Ann joined the ARU Board in June 2012. She is the Chair of the Human Resources Committee and a member of the Governance & Policy Committee. Ann is the Executive Chair of Carnival Australia, the largest cruise ship operator in Australasia. She was Chief Executive Officer at Carnival Australia for 9 years, and for 12 years before that Ann was a senior executive in the banking sector, including as Chief Executive Officer, Westpac New Zealand, Chief Executive Officer Bank of Melbourne and Group Executive of People and Performance at Westpac. Ann was the First Assistant Secretary of the Office of the Status of Women in Canberra. Ann is a non-executive director of ING Global, ING Direct (Australia), Sydney Airport Corporation and Palladium. She is a director of Cape York Partnerships, The Museum of Contemporary Art and Infrastructure Victoria. |
| Geoffrey Stooke OAM<br>Non-Executive Director | Geoffrey joined the Board in March of 2012 after a lengthy-stint as Chairman of RugbyWA from 1988 to 2011. He is a member of the Audit and Risk Committee and the Governance & Policy Committee. Geoffrey is the Chairman and Managing Director of Standard Wool Investments Pty Limited and Chairman of Troppus IT & Management Services Pty Limited. Prior to his current roles, he held senior management roles in the resources, fishing and food industries, after his early career saw him as an Officer in the Australian Regular Army - which included service in Australia and abroad. Geoffrey was a director of the Australian Sports Commission from 2005 to 2006. He has had a lifelong involvement in rugby and since 1965 has played over 800 grade games including over 600 for the Associates club in Perth |

# Directors' report *(continued)*

| | |
|---|---|
| Paul McLean MBE<br>Non-Executive Director | Paul joined the Board on 27 August 2013 and is a member of the Human Resources Committee. He concluded his 27-year executive career with the global real estate services provider, Savills, in February 2017, where he was CEO from 2006. He remains a consultant to the company. Paul is a former Wallaby and Queensland captain and was inducted into the Wallaby Hall of Fame in 2011. He was President of Queensland Rugby Union from 1999 – 2005, President of the Australian Rugby Union from 2005-2009 and was a member of World Rugby's Executive Committee from 2007-2009. Paul is also a Director of Youngcare. |
| Cameron Clyne<br>Chairman and Non-Executive Director | Cameron joined the Board in October 2013 and was appointed Chairman effective 1 January 2016. He is also the Chair of the Audit & Risk Committee. Cameron was the Managing Director and Group Chief Executive Officer of the National Australia Bank from January 2009 until August 2014. He joined NAB in 2004 following more than 12 years with PricewaterhouseCoopers, leading the Financial Services Industry practice in the Asia Pacific. Cameron was selected as one of 245 people globally as a Young Global Leader by the World Economic Forum to address global challenges including health, education and the environment. |
| Bill Pulver<br>Managing Director and CEO | Bill was appointed CEO of Australian Rugby Union in February 2013. Prior to rugby Bill was CEO of Appen, a linguistic technology company. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research. Bill also spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc. Prior to that he spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London. |
| Liz Broderick<br>Non-Executive Director | Liz joined the Board in February 2016 and is a member of the Human Resources Committee. She served as Australian Sex Discrimination Commissioner from 2007 to 2015 which included developing the Male Champions of Change strategy and leading the first independent review into the treatment of women within the Australian Defence Force. She is Global Co-Chair of the Women's Empowerment Principles Leadership Group and a former Member of World Bank's Advisory Council on Gender and Development. She is also a Special Advisor to the Executive Director of UN Women on private sector engagement (New York). Liz was previously a partner and board member at law firm Blake Dawson (now Ashurst). |
| Pip Marlow<br>Non-Executive Director | Pip joined the Board in February 2016 and is a member of the Audit & Risk Committee. She is the CEO of Strategic Innovation at Suncorp. Prior to this she spent 21 years at Microsoft, in roles that included Managing Director of Microsoft Australia, General Manager for US Channel Sales (based at Microsoft's head office in Seattle, US), Director of Small and Medium Business Solutions and Partners, Public Sector Director, and Enterprise and Partner Group Director. She also sits on the Vice-Chancellor's Advisory Board at UTS and is a member of Chief Executive Women (CEW), an organisation committed to supporting and growing women in executive positions. Pip was born and raised in Palmerston North, New Zealand where she developed a lifelong passion for rugby. |

## 2. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Human Resources Committee Meetings | | Governance & Policy Committee Meetings | | Nominations Committee Meetings | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr J Eales | 6 | 6 | | | 1 | 2 | | | | |
| Dr B Robinson | 6 | 6 | | | | | 2 | 2 | | |
| Ms A Sherry | 5 | 6 | | | 2 | 2 | 2 | 2 | | |
| Mr G Stooke | 6 | 6 | 3 | 3 | | | 2 | 2 | | |
| Mr P McLean | 6 | 6 | | | 2 | 2 | | | | |
| Mr C Clyne | 6 | 6 | 3 | 3 | | | | | 3 | 3 |
| Ms E Broderick | 5 | 6 | | | 0 | 2 | | | | |
| Ms P Marlow | 4 | 6 | 3 | 3 | | | | | | |
| Mr W Pulver | 6 | 6 | | | | | | | | |

A = Number of Meetings Attended

B = Reflects the number of meetings held during the time the Director held office during the year

## 3. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

## 4. Principal activities

The Group's principal activities during the course of the financial year were the promotion, development and general governance of the game of rugby union in Australia.

No significant change in the nature of this activity occurred during the year.

## 5. Review of operations and results of those operations

**Overview of the consolidated entity**

The consolidated entity comprises the Australian Rugby Union Ltd ("ARU") and the Australian Rugby Foundation Ltd ("ARF"). The operating surplus of the consolidated entity for the financial year before allocations and other payments to Member Unions was $9,345,000 (2015: deficit of $3,035,000).

The net surplus of the consolidated entity for the financial year after allocations and other payments to Member Unions was $3,749,000 (2015: deficit of $6,329,000).

In 2016 the ARU operated in its first year of the new five year broadcast period through to 2020. The new broadcast agreements delivered a significant increase in revenue in 2016 which allowed for greater investment into Super Rugby, Community Rugby and other in the development of the game.

In August 2016, the ARU entered into an Alliance Agreement with Western Australian Rugby Union Inc. ("WARU"). ARU incurred net expenditure of $4,819,000 for the period to 31 December 2016 under this arrangement.

The ARF, established in 2014 to attract greater private investment for the promotion and development rugby, reported a surplus of $72,000 (2015: $699,000), after allowing for investment activities of $409,500. Those investment activities included support for Australian Women's Sevens program and Indigenous programs via the Lloyd McDermott Rugby Development Team.

## 6. Significant changes in the state of affairs

In August 2016, the ARU entered into an Alliance Agreement with WARU whereby the commercial operations and professional rugby program of the Western Force Super Rugby team were integrated into the operations of ARU.

During 2016 the ARU entered into a joint venture arrangement with the University of Technology Sydney ("UTS") for the construction of the Australian Rugby Development Centre ("ARDC)" on lands controlled by the Sydney Cricket & Sports Ground Trust at Moore Park. Each of ARU and UTS contribute funds for the construction of the building in return for long term leasehold over the land occupied. ARU's investment in the construction has been funded by Federal and State government grants as well as ARU's own contribution

There were no other significant changes in the state of affairs.

## 7. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 8. Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 9. Indemnification and insurance of officers

In accordance with the Company's Constitution, during the financial year the Company has paid premiums for insurance contracts in respect of directors' and officers' liability and legal expenses. Such insurance contracts insure persons who are or have been directors or executive officers of the consolidated entity against certain liability (subject to specific exclusions).

## 10. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 31 December 2016.

## 11. Rounding off

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made out in accordance with a resolution of the directors:

| | |
|---|---|
| Cameron Clyne | |
| **C. Clyne** | **W. Pulver** |
| Director | Director |

Dated at Sydney this 22nd day of March 2017

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

## To the Directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
Partner

Sydney
22 March 2017

## Income Statements
### For the year ended 31 December 2016

| | Note | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Broadcasting | | 61,387 | 61,387 | 18,102 | 18,102 |
| Matchday | | 31,752 | 31,055 | 16,022 | 12,322 |
| Sponsorships | | 27,741 | 27,731 | 23,579 | 21,361 |
| Licensing | | 1,724 | 1,724 | 1,901 | 1,886 |
| Government grants | | 2,656 | 2,656 | 2,385 | 2,385 |
| World Rugby grants | | 676 | 676 | 18,990 | 18,990 |
| Other income | | 2,639 | 2,571 | 3,858 | 3,018 |
| **Total revenue and other income** | | **128,575** | **127,800** | **84,837** | **78,064** |
| **Operating expenditure** | | | | | |
| Commission & Servicing costs | | 4,192 | 4,140 | 3,864 | 2,960 |
| Matchday operations | | 11,224 | 11,055 | 6,622 | 5,522 |
| Marketing & media | | 5,510 | 5,506 | 3,198 | 2,819 |
| Wallabies team costs | | 8,456 | 8,456 | 5,637 | 5,637 |
| National Sevens teams costs | | 4,736 | 4,736 | 3,493 | 3,493 |
| Super Rugby teams costs | | 8,084 | 8,084 | 4,178 | 3,304 |
| Super Rugby funding | 19 | 33,332 | 33,332 | 19,701 | 25,152 |
| Player payments & RUPA costs | | 18,188 | 18,188 | 14,982 | 12,778 |
| High Performance & National Teams | | 5,849 | 5,499 | 5,338 | 5,105 |
| SANZAR office | | 1,282 | 1,282 | 1,237 | 1,237 |
| Community Rugby | | 4,237 | 4,207 | 2,368 | 2,366 |
| Corporate | | 14,609 | 14,520 | 17,562 | 14,549 |
| **Total operating expenditure** | | **119,699** | **119,005** | **88,180** | **84,922** |
| **Operating surplus/(deficit) before financing income** | | **8,876** | **8,795** | **(3,343)** | **(6,858)** |
| Finance income | | 156 | 156 | 1,579 | 1,575 |
| Finance costs | | (107) | (98) | (1,464) | (1,465) |
| **Net finance income** | 3 | **49** | **58** | **115** | **110** |
| **Surplus/(Deficit) after net finance income** | | **8,925** | **8,853** | **(3,228)** | **(6,748)** |
| Share of (loss)/profit of jointly controlled entity | 13 | 420 | 420 | 193 | 193 |
| **Surplus/(Deficit) before tax** | | **9,345** | **9,273** | **(3,035)** | **(6,555)** |
| Income tax expense | 5 | - | - | - | - |
| **Surplus/(Deficit) for the period before allocations** | | **9,345** | **9,273** | **(3,035)** | **(6,555)** |
| Allocations to Member Unions & Affiliates | 19 | (5,596) | (5,596) | (3,294) | (3,294) |
| **Surplus/(Deficit) for the period** | 25 | **3,749** | **3,677** | **(6,329)** | **(9,849)** |
| **Profit attributable to:** | | | | | |
| Members of the Company | | 3,677 | 3,677 | (5,595) | (9,849) |
| Non-controlling interests | | 72 | - | (734) | - |

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.

## Statements of comprehensive income
## For the year ended 31 December 2016

| | *Note* | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|---|
| **Surplus/(Deficit) for the period** | | **3,749** | **3,677** | **(6,329)** | **(9,849)** |
| **Other comprehensive income/(loss):** | | | | | |
| **Items that will never be reclassified to profit or loss** | | | | | |
| Net change in fair value of fixed assets taken to equity | | - | - | 387 | 387 |
| **Total items that will never be reclassified to profit or loss** | | **-** | **-** | **387** | **387** |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Net change in fair value of realised cash flow hedges transferred to profit and loss | | (155) | (155) | (325) | (325) |
| Net change in fair value of realised cash flow hedges taken to equity | | 12,752 | 12,752 | - | - |
| Net change in fair value of cash flow hedges taken to equity | | (10,403) | (10,403) | 1,680 | 1,680 |
| **Total items that may be reclassified subsequently to profit or loss** | | **2,194** | **2,194** | **1,355** | **1,355** |
| **Other comprehensive income for the period** | | **2,194** | **2,194** | **1,742** | **1,742** |
| **Total comprehensive income/(loss) for the period** | | **5,943** | **5,871** | **(4,587)** | **(8,107)** |
| **Comprehensive income/(loss) for the period attributable to:** | | | | | |
| Members of the Company | | **5,871** | **5,871** | **(3,853)** | **(8,107)** |
| Non-controlling interests | | **72** | **-** | **(734)** | **-** |

*The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.*

## Statements of financial position
### As at 31 December 2016

| | Note | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|---|
| | | *$'000* | *$'000* | *$'000* | *$'000* |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6 | 13,699 | 12,916 | 10,347 | 9,737 |
| Restricted cash and cash equivalents | 7 | 13,072 | 13,072 | | |
| Trade and other receivables | 8 | 4,247 | 4,196 | 5,144 | 5,053 |
| Financial assets | 9 | 115 | 115 | 1,078 | 1,078 |
| Other assets | 10 | 3,732 | 3,732 | 1,258 | 1,258 |
| **Total current assets** | | **34,865** | **34,031** | **17,827** | **17,126** |
| **Non-current assets** | | | | | |
| Trade and other receivables | 8 | 285 | 285 | 78 | 78 |
| Financial assets | 9 | - | - | 547 | 547 |
| Other assets | 10 | - | - | 731 | 731 |
| Property, plant and equipment | 11 | 2,091 | 2,091 | 1,949 | 1,949 |
| Intangible assets | 12 | 9,996 | 9,996 | 3,570 | 3,570 |
| Investment in Joint Venture | 13 | 1,154 | 1,154 | 734 | 734 |
| **Total non-current assets** | | **13,526** | **13,526** | **7,609** | **7,609** |
| **Total assets** | | **48,391** | **47,557** | **25,436** | **24,735** |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | 10,034 | 9,960 | 8,969 | 8,956 |
| Deferred revenue | 15 | 17,289 | 17,289 | 11,212 | 11,212 |
| Other liabilities | 16 | 335 | 335 | | |
| Employee entitlements | 17 | 1,459 | 1,459 | 797 | 797 |
| Financial liabilities | 18 | 2,972 | 2,972 | 720 | 720 |
| **Total current liabilities** | | **32,089** | **32,015** | **21,698** | **21,685** |
| **Non-current liabilities** | | | | | |
| Other liabilities | 16 | - | - | 212 | 212 |
| Employee entitlements | 17 | 390 | 390 | 155 | 155 |
| Financial liabilities | 18 | 10,526 | 10,526 | 3,928 | 3,928 |
| **Total non-current liabilities** | | **10,916** | **10,916** | **4,295** | **4,295** |
| **Total liabilities** | | **43,005** | **42,931** | **25,993** | **25,980** |
| **Net assets** | | **5,386** | **4,626** | **(557)** | **(1,245)** |
| **Equity** | | | | | |
| Retained surplus | | 4,076 | 4,076 | 399 | 399 |
| Minority interest | | 760 | - | 688 | - |
| Realised cash flow hedge reserve | | 12,597 | 12,597 | - | - |
| **Total capital position** | | **17,433** | **16,673** | **1,087** | **399** |
| Asset revaluation reserve | | 1,290 | 1,290 | 1,290 | 1,290 |
| Unrealised cash flow hedge reserve | | (13,337) | (13,337) | (2,934) | (2,934) |
| **Total equity** | | **5,386** | **4,626** | **(557)** | **(1,245)** |

*The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.*

Australian Rugby Union Limited

## Statement of changes in equity (Parent company)

## For the year ended 31 December 2016

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cash flow hedge reserve realised* | | *Cash flow hedge reserve unrealised* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** | **2016** | **2015** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| *Balance at beginning of period* | 399 | 10,248 | 1,290 | 903 | - | 325 | (2,934) | (4,614) | (1,245) | 6,862 |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | 3,677 | (9,849) | - | - | - | - | - | - | 3,677 | (9,849) |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | |
| *Net change in fair value of fixed assets transferred to equity* | - | - | - | 387 | - | - | - | - | - | 387 |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (155) | (325) | - | - | 12,597 | (325) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | 12,752 | - | (10,403) | 1,680 | (10,403) | 1,680 |
| ***Total comprehensive (loss)/income for the period*** | **3,677** | **(9,849)** | **-** | **387** | **12,597** | **(325)** | **(10,403)** | **1,680** | **5,871** | **(8,107)** |
| ***Balance at end of period*** | **4,076** | **399** | **1,290** | **1,290** | **12,597** | **-** | **(13,337)** | **(2,934)** | **4,626** | **(1,245)** |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.*

## Statement of changes in equity (Consolidated entity)

### For the year ended 31 December 2016

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cashflow hedge reserve realised* | | *Cashflow hedge reserve unrealised* | | *Non-controlling Interest* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016 $'000** | **2015 $'000** | **2016 $'000** | **2015 $'000** | **2016 $'000** | **2015 $'000** | **2016 $'000** | **2015 $'000** | **2016 $'000** | **2015 $'000** | **2016 $'000** | **2015 $'000** |
| *Balance at beginning of period* | 399 | 19,012 | 1,290 | 903 | - | 325 | (2,934) | (4,614) | 688 | (11,596) | (557) | 4,030 |
| *Balance released on subsidiary loss of control* | - | (13,018) | - | - | - | - | - | - | - | 13,018 | - | - |
| ***Total comprehensive (loss)/income for the period*** | | | | | | | | | | | | |
| *Net (deficit)/surplus for the year* | 3,677 | (5,595) | - | - | - | - | - | - | 72 | (734) | 3,749 | (6,329) |
| ***Other comprehensive (loss)/income*** | | | | | | | | | | | | |
| *Net change in fair value of fixed assets transferred to equity* | - | - | - | 387 | - | - | - | - | - | - | - | 387 |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (155) | (325) | - | - | - | - | 12,597 | (325) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | 12,752 | - | (10,403) | 1,680 | - | - | (10,403) | 1,680 |
| ***Total comprehensive (loss)/income for the period*** | **3,677** | **(5,595)** | **-** | **387** | **12,597** | **(325)** | **(10,403)** | **1,680** | **72** | **(734)** | **5,943** | **(4,587)** |
| ***Balance at end of period*** | **4,076** | **399** | **1,290** | **1,290** | **12,597** | **-** | **(13,337)** | **(2,934)** | **760** | **688** | **5,386** | **(557)** |

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.*

## Statement of cashflows
### For the year ended 31 December 2016

| | Note | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | |
| Cash receipts in the course of operations | | 127,455 | 126,502 | 100,125 | 95,155 |
| Cash payments in the course of operations | | (125,297) | (124,517) | (95,851) | (91,249) |
| **Net cash provided by/(used in) operating activities** | *25(a)* | **2,158** | **1,985** | **4,274** | **3,906** |
| **Cash flows from investing activities** | | | | | |
| Net interest received | | 150 | 150 | 54 | 50 |
| Proceeds from sale of property, plant and equipment | | - | - | 63 | - |
| Payments for property, plant and equipment | | (277) | (277) | (157) | (157) |
| Payments for intangibles | | (500) | (500) | (980) | (980) |
| Grant proceeds received for ARDC construction | | 15,056 | 15,056 | - | - |
| Payments for ARDC construction | | (6,984) | (6,984) | - | - |
| Dividends from equity-accounted investees | | - | - | 559 | 559 |
| **Net cash used in investing activities** | | **7,445** | **7,445** | **(461)** | **(528)** |
| **Cash flows from financing activities** | | | | | |
| Net Proceeds from / (repayment) of borrowings | | 27 | 27 | 1,813 | 1,813 |
| Loans issued to related parties | | (207) | (207) | - | - |
| Allocations to Member Unions & Affiliates | | (5,596) | (5,596) | (3,294) | (3,294) |
| Proceeds from sale of foreign exchange contracts | | 12,597 | 12,597 | - | - |
| **Net cash used in financing activities** | | **6,821** | **6,821** | **(1,481)** | **(1,481)** |
| **Net increase / (decrease) in cash held** | | **16,424** | **16,251** | **2,332** | **1,897** |
| Cash at beginning of year | | 10,347 | 9,737 | 8,015 | 7,840 |
| **Cash at end of year** | *25(b)* | **26,771** | **25,988** | **10,347** | **9,737** |

*The statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 13 to 33.*

# Notes to the financial statements

**For the year ended 31 December 2016**

## Note 1. Statement of significant accounting policies

### (a) Reporting entity

Australian Rugby Union Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 29-57 Christie Street, St. Leonards, NSW, 2065.

### (b) Basis of Accounting

In the opinion of the directors, the Group is not publicly accountable. These consolidated financial statements are Tier 2 general purpose consolidated financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act 2001. These consolidated financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

These consolidated financial statements were authorised for issue by the Board of Directors on 22nd March 2017.

### (c) Basis of preparation

The consolidated financial report is presented in Australian dollars.

The Company is of a kind referred to in ASIC Class Order 2016/191 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The financial statements have been prepared on a going concern basis based on an analysis of the forecast cash flows from operations of the Group. These assumptions could be impacted by downside risks, particularly impacting Super Rugby franchise teams that may require the Company to incur additional costs in order to field teams under its Broadcasting obligations. The Company considers that if such additional costs were to be incurred they can be funded through a combination of positive cash flow initiatives that are within its control.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the consolidated financial report.

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

### (d) Use of judgements and estimates

The preparation of a consolidated financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## Note 1. Statement of significant accounting policies *(continued)*

### (e) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company and its consolidated entity, except for AASB 9 Financial Instruments, which becomes mandatory for the 2018 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 9 Financial Instruments
AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 introduces new requirements for the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.

AASB 15 Revenue from Contracts with Customers
AASB15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance AASB 118 *Revenue*. AASB 15 is effective for the Company's 2018 financial statements. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

IFRS 16 Leases
IFRS 16 Leases removes the lease classification test and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt IRFS 15 *Revenue from contracts with customers*. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

### (f) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

### (g) Financial instruments and Risk Management

#### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g) iv).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

## Note 1. Statement of significant accounting policies *(continued)*

### ii Currency Risk

At any point in time, the Company hedges 100% of its foreign currency exposure in respect of contracted broadcasting and other revenues denominated in a foreign currency. These contracted revenues are predominantly in United States Dollars (USD), Great British Pounds (GBP) and Euro (EUR).

The Company uses forward exchange contracts to hedge its currency risk, with maturity dates aligned to contracted payment terms. These contracts are designated as cash flow hedges.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by utilising small value operational foreign currency receipts to settle foreign currency payments. The Company will buy or sell foreign currency at spot rate when necessary to address short-term imbalances.

### iii Foreign Exchange Policy

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

### iv Loans, trade and other receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method less impairment losses (see accounting policy (l)).

## Note 1. Statement of significant accounting policies *(continued)*

### (g) Financial instruments and Risk Management *(continued)*

#### v Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.

### (h) Property, plant and equipment

#### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (l)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

#### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. The Company undertook an independent valuation of Memorabilia in the prior reporting period (refer Note 11).

### (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement.

## Note 1. Statement of significant accounting policies *(continued)*

### (j) Cash and cash equivalents

Cash and cash equivalents (and restricted cash and cash equivalents) comprise cash at call balances and term deposits with differing maturity dates.

### (k) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (l (i))).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

#### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Note 1. Statement of significant accounting policies *(continued)*

### (l) Employee entitlements

#### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

#### iii Wages, salaries, annual leave, long service leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and long service leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

### (m) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (n) Revenue

#### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales.

Broadcast revenue is recognised using a percentage of completion method determined for each broadcast right (The Rugby Championship, Super Rugby, National Rugby Championship, inbound test matches) based on the number of matches scheduled to be played each year as a proportion of total scheduled matches for each right.

Sponsorship revenue is recognised in line with the terms specified in the relevant contracts.

Revenue from ticket sales is recognised at the time the match is played.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

#### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant. Grants from the World Rugby are recorded when the Company has met the conditions or provided services associated with the grant. In respect of Rugby World Cup grants, such conditions and/or services are not considered to be met until the Company's representative team participates in the World Cup.

## Note 1. Statement of significant accounting policies *(continued)*

### (o) Expenses

#### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

#### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (g)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### (p) Equity

#### i Capital

There is no issued capital in ARU. The Company is an entity limited by guarantee and has voting members from state based rugby governing bodies and Super Rugby franchises.

#### ii Asset revaluation reserve

The revaluation reserve relates solely to the adjustment for the revaluation of Memorabilia assessed by an independent valuer.

#### iii Unrealised cashflow hedge reserve

The unrealised cashflow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges.

#### iv Realised cashflow hedge reserve

The realised cashflow hedge reserve comprises the proceeds of sale of foreign currency hedge contracts that were sold during the year. The sold contracts covered foreign currency revenues contracted to be received over 2017-2020 years. These values will be released to the income statement in the future periods in which those revenues were originally covered.

#### v Retained surplus/(deficit)

The retained surplus/(deficit) reserve comprised the transfer of net earnings or loss for the year and characterises surplus funds available for use by the Company in future years.

### (q) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

Australian Rugby Foundation Ltd is exempt from income tax under the terms of Division 50 if the Income Tax Assessment Act 1997.

## Note 1. Statement of significant accounting policies *(continued)*

### (r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (s) Basis of consolidation

#### i Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

#### ii Interest in equity-accounted investees

Interest in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit of loss and of equity accounted investees, until the date on which significant influence or joint control ceases.

## Note 2. Other expenses

| | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Employee benefits** | | | | |
| Wages and salaries | 16,814 | 16,814 | 16,719 | 13,394 |
| Wages and salaries – Western Force staff | 832 | 832 | - | - |
| Wages and salaries – Western Force players | 3,576 | 3,576 | - | - |
| Superannuation | 1,439 | 1,439 | 1,525 | 1,200 |
| Superannuation – Western Force staff | 74 | 74 | - | - |
| Superannuation – Western Force players | 305 | 305 | - | - |
| **Total employee benefits** | **23,040** | **23,040** | **18,244** | **14,594** |
| Amortisation | 296 | 296 | 243 | 243 |
| Depreciation of plant and equipment | 513 | 513 | 468 | 455 |
| **Total amortisation and depreciation** | **809** | **809** | **711** | **698** |
| Net expense from movements in provision for employee entitlements | 898 | 898 | (104) | (86) |
| Operating lease rental expense payments | 1,438 | 1,438 | 1,233 | 1,141 |

## Note 3. Finance income and finance costs

| | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Interest income | 156 | 156 | 63 | 59 |
| **Finance income** | **156** | **156** | **1,579** | **1,575** |
| **Finance costs** | | | | |
| Foreign exchange loss | (101) | (92) | (1,455) | (1,456) |
| Interest expense | (6) | (6) | (9) | (9) |
| **Finance costs** | **(107)** | **(98)** | **(1,464)** | **(1,465)** |
| **Net finance income** | **49** | **58** | **115** | **110** |

## Note 4. Auditor's remuneration

| | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| **Audit services** | | | | |
| Auditors of the Company - KPMG | | | | |
| Audit of the financial report – current | 85,316 | 76,000 | 90,280 | 69,200 |
| **Other services** | | | | |
| Auditors of the Company – KPMG | | | | |
| Other assurance services | 2,435 | 2,435 | 71,704 | 71,704 |
| | **87,751** | **78,435** | **161,984** | **140,904** |

## Note 5. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The Company did not have any Tax Expense from revenue earned from overseas activities.

Australian Rugby Foundation Ltd (ARF) is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997. The ARF did not have any Tax Expense from revenue earned from overseas activities.

## Note 6. Cash and cash equivalents

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 3,300 | 2,916 | 9,910 | 9,698 |
| Cash on deposit | 10,399 | 10,000 | 437 | 39 |
| **Cash and cash equivalents in the statement of cash flows** | **13,699** | **12,916** | **10,347** | **9,737** |

## Note 7. Restricted cash and cash equivalents

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Restricted cash and cash equivalents | 13,072 | 13,072 | - | - |
| | **13,072** | **13,072** | **-** | **-** |

This cash balance represents the balance of unspent funds received for the construction of the Australian Rugby Development centre. The funds in hand are solely for the purpose of funding ARU's share of future construction costs and therefore do not form part of the ordinary cash available for operations

## Note 8. Trade and other receivables

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade receivables | 2,862 | 2,822 | 1,717 | 1,646 |
| Other receivables | 1,385 | 1,374 | 3,796 | 3,776 |
| | **4,247** | **4,196** | **5,144** | **5,053** |
| **Non-current** | | | | |
| Other receivables | 285 | 285 | 78 | 78 |
| | **285** | **285** | **78** | **78** |

## Note 9. Financial assets

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Foreign exchange forward contracts | 115 | 115 | 1,078 | 1,078 |
| | **115** | **115** | **1,078** | **1,078** |
| **Non-current** | | | | |
| Foreign exchange forward contracts | - | - | 547 | 547 |
| | **-** | **-** | **547** | **547** |

## Note 10. Other assets

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Unused contra services | 2 | 2 | 23 | 23 |
| Prepayments | 1,036 | 1,036 | 1,235 | 1,235 |
| Other broadcast asset | 2,694 | 2,694 | - | - |
| | **3,732** | **3,732** | **1,258** | **1,258** |
| **Non-current** | | | | |
| Prepayments | - | - | 731 | 731 |
| | **-** | **-** | **731** | **731** |

## Note 11. Property, plant and equipment

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Memorabilia | | | | |
| At fair value | 1,196 | 1,196 | 1,196 | 1,196 |
| Accumulated depreciation | (53) | (53) | (21) | (21) |
| **Total memorabilia** | **1,143** | **1,143** | **1,175** | **1,175** |
| | | | | |
| Plant and equipment | | | | |
| At cost | 2,502 | 2,502 | 2,724 | 2,724 |
| Accumulated depreciation | (2,060) | (2,060) | (1,950) | (1,950) |
| **Total plant and equipment** | **442** | **442** | **774** | **774** |
| | | | | |
| Capital work in progress | | | | |
| At cost | 506 | 506 | - | - |
| **Total capital work in progress** | **506** | **506** | **-** | **-** |

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 |
|---|---|---|
| **Memorabilia** | | |
| Fair value | | |
| Balance at 1 January | 1,196 | 1,196 |
| Balance at 31 December | **1,196** | **1,196** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | (21) | (21) |
| Depreciation | (32) | (32) |
| Balance at December | **(53)** | **(53)** |
| | | |
| Carrying amounts | | |
| At 1 January | 1,175 | 1,175 |
| At 31 December | 1,143 | 1,143 |

## Note 11. Property, plant and equipment *(continued)*

| | 2016 Consolidated Entity | 2016 Parent Entity |
|---|---|---|
| | **$'000** | **$'000** |
| **Plant and equipment** | | |
| Cost | | |
| Balance at 1 January | 2,724 | 2,724 |
| Additions | 277 | 277 |
| Disposals | (499) | (499) |
| Balance at 31 December | **2,502** | **2,502** |
| | | |
| Accumulated depreciation | | |
| Balance at 1 January | (1,950) | (1,950) |
| Depreciation | (481) | (481) |
| Disposals | 371 | 371 |
| Balance at December | **(2,060)** | **(2,060)** |
| | | |
| Carrying amounts | | |
| At 1 January | 774 | 774 |
| At 31 December | 442 | 442 |
| | | |
| **Capital work in progress** | | |
| Cost | | |
| Balance at 1 January | - | - |
| Additions | 506 | 506 |
| Balance at 31 December | **506** | **506** |
| | | |
| Carrying amounts | | |
| At 1 January | - | - |
| At 31 December | 506 | 506 |

## Note 12. Intangible Assets

| | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Intellectual Property | 2,100 | 2,100 | 2,100 | 2,100 |
| Software | 2,170 | 2,170 | 2,121 | 2,121 |
| Accumulated amortisation | (752) | (752) | (651) | (651) |
| Rights to future lease arrangement | 6,478 | 6,478 | - | - |
| | **9,996** | **9,996** | **3,570** | **3,570** |

Reconciliations of the carrying amounts for each class of intangible are set out on the following page:

## Note 12. Intangible Assets *(continued)*

| | 2016 Consolidated Entity | 2016 Parent Entity |
|---|---|---|
| | $'000 | $'000 |
| **Trademarks** | | |
| Cost | | |
| Balance at 1 January | 2,100 | 2,100 |
| Additions | - | - |
| Balance at 31 December | **2,100** | **2,100** |
| | | |
| Carrying amounts | | |
| At 1 January | 2,100 | 2,100 |
| At 31 December | 2,100 | 2,100 |
| | | |
| **Software** | | |
| Cost | | |
| Balance at 1 January | 2,121 | 2,121 |
| Additions | 500 | 500 |
| Disposals | (451) | (452) |
| Balance at 31 December | **2,170** | **2,169** |
| | | |
| Accumulated amortisation | | |
| Balance at 1 January | (651) | (651) |
| Amortisation | (296) | (296) |
| Disposals | 195 | 195 |
| Balance at December | **(752)** | **(752)** |
| | | |
| Carrying amounts | | |
| At 1 January | 1,470 | 1,470 |
| At 31 December | 1,418 | 1,417 |
| | | |
| **Rights to future lease arrangement** | | |
| Cost | | |
| Balance at 1 January | - | - |
| Additions | 6,478 | 6,478 |
| Balance at 31 December | **6,478** | **6,478** |
| | | |
| Carrying amounts | | |
| At 1 January | - | - |
| At 31 December | 6,478 | 6,478 |

This amount represents the ARU's contributions to the joint venture between the ARU and UTS for the construction of the ARDC. On completion of the ARDC construction, this asset will translate into a prepayment over lease payments for the ARU's tenancy in the building.

## Note 13. Investment in joint venture

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| Investment in SANZAR Europe S.a.r.l. | 574 | 574 | 954 | 954 |
| Dividend received | - | - | (559) | (559) |
| Share of (loss)/profit for the current period | 381 | 381 | 179 | 179 |
| | **955** | **955** | **574** | **574** |
| Investment in SANZAR Pty Ltd | 160 | 160 | 146 | 146 |
| Share of profit for the current period | 39 | 39 | 14 | 14 |
| | **199** | **199** | **160** | **160** |
| | **1,154** | **1,154** | **734** | **734** |

## Note 14. Trade and other payables

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Trade creditors | 1,834 | 1,813 | 1,858 | 1,788 |
| Member Union creditors and accruals | 719 | 709 | 109 | 109 |
| Other creditors and accruals | 7,481 | 7,438 | 7,002 | 7,059 |
| | **10,034** | **9,960** | **8,969** | **8,956** |

## Note 15. Deferred revenue

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Test match revenue | 10 | 10 | 284 | 284 |
| Broadcasting license fees | - | - | 4,568 | 4,568 |
| Sponsorships | 244 | 244 | 3,598 | 3,598 |
| Government grants | 367 | 367 | 427 | 427 |
| World Rugby grants | 228 | 228 | 338 | 338 |
| Super Rugby Memberships – Western Force | 1,198 | 1,198 | - | - |
| Australian Rugby Development Centre | 15,056 | 15,056 | 1,997 | 1,997 |
| Other | 186 | 186 | - | - |
| | **17,289** | **17,289** | **11,212** | **11,212** |

## Note 16. Other liabilities

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Provision for make good | 335 | 335 | - | - |
| | **335** | **335** | **-** | **-** |
| **Non-current** | | | | |
| Provision for make good | - | - | 212 | 212 |
| | **-** | **-** | **212** | **212** |

# Notes to the financial statements

**For the year ended 31 December 2016**

## Note 17. Employee entitlements

| | 2016 Consolidated Entity | 2016 Parent Entity | 2015 Consolidated Entity | 2015 Parent Entity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Annual leave | 898 | 898 | 530 | 530 |
| Long service leave | 561 | 561 | 267 | 267 |
| | **1,459** | **1,459** | **797** | **797** |
| **Non-current** | | | | |
| Long service leave | 390 | 390 | 155 | 155 |
| | **390** | **390** | **155** | **155** |
| | **1,849** | **1,849** | **952** | **952** |

**Superannuation**

The Group contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted by the Company during the period was $1,818,000 (2015: $1,200,000). The value of contributions remitted by the Group during the period was $1,818,000 (2015: $1,525,000).

## Note 18. Financial liabilities

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Financial Lease | 45 | 45 | 41 | 41 |
| Foreign exchange forward contracts | 2,927 | 2,927 | 679 | 679 |
| | **2,972** | **2,972** | **720** | **720** |
| **Non-current** | | | | |
| Financial Lease | - | - | 49 | 49 |
| Foreign exchange forward contracts | 10,526 | 10,526 | 3.879 | 3,879 |
| | **10,526** | **10,526** | **3,928** | **3,928** |
| | **13,498** | **13,498** | **4,648** | **4,648** |

## Note 19. Transactions with Member Unions

The Company entered into various transactions with its member unions during the course of the year.

### i Super Rugby funding

Super Rugby participation funding and high performance funding supplied in accordance with agreements:

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| Queensland Rugby Union Ltd | 5,950 | 5,950 | 4,072 | 4,072 |
| Waratahs Rugby Pty Ltd | 5,950 | 5,950 | 4,117 | 4,117 |
| Melbourne Rebels Rugby Union Ltd | 8,300 | 8,300 | 3,570 | 9,021 |
| Western Australia Rugby Union Inc | 7,357 | 7,357 | 4,037 | 4,037 |
| ACT & Southern NSW Rugby Union Ltd | 5,775 | 5,775 | 3,905 | 3,905 |
| | **33,332** | **33,332** | **19,701** | **25,152** |

Super Rugby funding to Melbourne Rebels Rugby Union in 2016 includes $2.6m of special funding as part of the external sale agreement.

Super Rugby funding to Western Australia Rugby Union Inc (WARU) includes $3.7m relating to the Alliance Agreement signed on August 1st 2016 when the professional rugby program and commercial operations of the Western Force were integrated into ARU. Super Rugby funding to WARU ceased from August 1st 2016.

### ii Allocations to member unions and affiliates

Community Funding supplied in accordance with memorandums of understanding or similar agreement:

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Queensland Rugby Union Ltd | 1,350 | 1,350 | 850 | 850 |
| New South Wales Rugby Union Ltd | 1,961 | 1,961 | 1,161 | 1,161 |
| Australian Rugby Football Schools Union | 466 | 466 | 358 | 358 |
| Victoria Rugby Union Inc | 502 | 502 | 215 | 215 |
| ACT & Southern NSW Rugby Union Ltd | 330 | 330 | 95 | 95 |
| Western Australia Rugby Union Inc | 287 | 287 | 90 | 90 |
| Northern Territory Rugby Union Inc | 245 | 245 | 205 | 205 |
| South Australian Rugby Union Ltd | 310 | 310 | 210 | 210 |
| Tasmanian Rugby Union Inc | 105 | 105 | 70 | 70 |
| Other | 40 | 40 | 40 | 40 |
| **Total** | **5,596** | **5,596** | **3,294** | **3,294** |

## Note 20. Financial Instruments – Fair Values and Risk Management

Derivative assets and liabilities designated as cash flow hedges.

The following table indicates the periods in which the cash flows associated with cash flow hedges are *expected to occur* and the fair values of the related hedging instruments.

| | 2016 | | | | 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Expected Cash Flows | | | | Expected Cash Flows | | |
| | Carrying Amount/ Fair Value | Total | 12mths or less | More than one year | Carrying Amount/Fair Value | Total | 12mths or less | More than one year |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Forward exchange contracts** | | | | | | | | |
| Assets | 256,839 | **243,501** | 59,321 | 184,180 | 308,929 | **305,996** | 59,820 | 246,176 |
| Liabilities | - | - | - | - | - | - | - | - |
| | **256,839** | **243,501** | **59,321** | **184,180** | **308,929** | **305,996** | **59,820** | **246,176** |

## Note 21. Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union, South African Rugby Football Union and Unión Argentina de Rugby has entered into agreements for the period 2016 to 2020 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition, to provide for Test matches as part of The Rugby Championship competition and the June test match window, and provide the National Rugby Championship for the period of the agreement.

### b) SANZAAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the broadcasting agreements for the 2016 to 2020 period. A renewed joint venture agreement, now including Unión Argentina de Rugby as a joint venture partner and Japan Rugby Union as a Super Rugby participant, aligned to the new 2016-2020 broadcast arrangements has been concluded.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc, Melbourne Rebels Rugby Union Ltd and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and High Performance Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2016.

## Note 21. Commitments *(continued)*

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants *(continued)*

The total amounts payable by the Company for 2017 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 18,750 |
| High Performance Agreements | 3,300 |
| | **22,050** |

Further, the Company has entered into contractual funding arrangements with all member unions in relation to Community Rugby as follows:

| | $'000 |
|---|---|
| National Participation Funding | **3,471** |

Super Rugby Participation Agreements are in place for the 2016 to 2020 period.

Super Rugby High Performance Agreements are in place for the 2017 year. These agreements are negotiated on a yearly basis.

National Participation Funding Agreements are in place for the 2017 year. These agreements are negotiated on a yearly basis.

### e) Lease commitments

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| **Operating lease** | | | | |
| Less than one year | 1,271 | 1,271 | 1,178 | 1,178 |
| Between one and five years | 3,266 | 3,266 | 821 | 821 |
| More than five years | 9,693 | 9,693 | - | - |
| | **14,230** | **14,230** | **1,999** | **1,999** |

The Company leases property under non-cancellable operating leases. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

### f) Australian Rugby Development Centre

At 31 December 2016, $15.1 million of government funding has been received and recognised as deferred revenue on the balance sheet. Of this, $2.0 million has been used to fund the construction, with the remaining $13.1 million classified as restricted cash and cash equivalents. The ARU has paid its $5 million contribution into the Joint Venture.

## Note 22. Contingent liabilities

The ARU is defending a claim brought against them by a supplier. Liability is not admitted. A provision is recognised when the board consider it probable that the matter will result in an economic outflow and it is capable of reliable measurement.

## Note 23. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby and Rugby Championship rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2016 and the Company's interests are valued at $199,000 (2015: $160,000). See Note 13.

All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

### ii SANZAR Europe S.a.r.l

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company's share of the profit of its equity accounted investee for the year was $381,000 (2015 loss: $380,000). See Note 13.

### iii Rugby Australia House Pty Ltd

In 2015, the Company, in equal shareholding with the University of Sydney ("UTS"), established Rugby Australia House Pty Ltd to manage the funding and construction of the Australian Rugby Development Centre, and UTS Sports Faculty Centre on lands controlled by the Sydney Cricket & Sports Ground Trust at Moore Park, Sydney. The estimated date of completion of the Centre is late 2017, after which time, the Company and UTS will occupy the premises as tenants.

### iv Rugby Shared Services Pty Ltd

The Company has a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd was to facilitate and develop efficiencies across various rugby operations. The operations of RSS ceased in 2014.

This entity remained dormant during the reporting period, with the assets and liabilities not material, and the Company's interests were therefore not consolidated in the Company's financial statements.

## Note 24. Other controlled entities

### i Australian Rugby Foundation Ltd

The Australian Rugby Foundation (ARF) was established in 2014 to attract greater private investment for the promotion and development of rugby. The Company has board control and ownership which is limited by guarantee.

During the year, ARF reported a surplus of $72,000 (2015: $699,000). The reserves of ARF include $418,000 sourced from the Australian Rugby Welfare Fund. Management of the Welfare Fund was assigned to ARF in 2015. The use of Welfare Fund monies is strictly limited to the welfare of rugby union players injured in the course of participating in the game of rugby.

## Note 25. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2016 Consolidated Entity $'000 | 2016 Parent Entity $'000 | 2015 Consolidated Entity $'000 | 2015 Parent Entity $'000 |
|---|---|---|---|---|
| **Net (deficit)/surplus for the period** | 3,749 | 3,677 | (6,329) | (9,849) |
| **Add/(less) items classified as investing/financing** | | | | |
| Allocations to Member Unions | 5,596 | 5,596 | 3,294 | 3,294 |
| Interest received | (156) | (156) | (63) | (59) |
| Interest paid | 6 | 6 | 9 | 9 |
| Write-back of provision for doubtful debts | - | - | 41 | 26 |
| **Add/(less) non-cash items:** | | | | |
| Share of profit from jointly controlled entities | (420) | (420) | (193) | (193) |
| Amortisation & depreciation | 809 | 809 | 646 | 698 |
| Loss on disposal of assets | 384 | 384 | 63 | - |
| Release from realised cashflow hedge reserve | - | - | (325) | (325) |
| **Before change in assets and liabilities** | **9,968** | **9,896** | **(2,857)** | **(6,399)** |
| **Change in assets and liabilities during the financial period** | | | | |
| (Increase)/decrease in receivables | (1,823) | (1,920) | 6,400 | 6,384 |
| (Increase)/decrease in prepayments and consumables | 951 | 951 | (1,333) | (1,419) |
| Increase/(decrease) in payables and provisions | 2,041 | 2,037 | 440 | 1,466 |
| Increase/(decrease) in deferred revenue | (8,979) | (8,979) | 1,624 | 3,874 |
| **Net cash (used in)/provided by operating activities** | **2,158** | **1,985** | **4,274** | **3,906** |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 | $'000 | $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 3,300 | 2,916 | 9,910 | 9,698 |
| Cash on deposit | 10,399 | 10,000 | 437 | 39 |
| Restricted cash at bank and on hand0 | 13,072 | 13,072 | - | - |
| | **26,771** | **25,988** | **10,347** | **9,737** |

## Note 26. Key management personnel disclosures

### (i) Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Reduced Disclosure Tier 2 General Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2016<br>$<br>Salary (incl Super) | 2016<br>$<br>Incentives | 2015<br>$<br>Salary (Incl Super) | 2015<br>$<br>Incentives |
|---|---|---|---|---|
| Non-executive Directors | 182,500 | - | 16,425 | - |
| Executive Directors | 775,000 | - | 766,717 | 230,000 |
| | **957,500** | **-** | **783,142** | **230,000** |

Total Directors Income includes $145,000 which was subsequently donated to ARF and $35,000 which was donated to other charity organisations.

### (ii) Key management personnel and director transactions

The Company used the consultancy services of International Quarterback during the reporting period, securing sponsorship deals on a commission based structure. It is noted that Mr John Eales, a Director of the Company, also holds a Directorship with International Quarterback. The value of the transaction in the reporting period totalled $149,606. The terms and conditions of the commission arrangement with International Quarterback is such that the conditions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

## *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ('the Company') and its controlled entity ('the Group'):

a) the Company is not a reporting entity;

b) the consolidated financial statements and notes, set out on pages 7 to 33, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company and the Group as at 31 December 2016 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards – Reduced Disclosure Reports (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 22nd March 2017

Signed in accordance with a resolution of the directors:

Cameron Clyne

C. Clyne
Director

W. Pulver
Director

KPMG

# Independent Auditor's Report

## To the members of Australian Rugby Union Limited

### Opinion

We have audited the ***Financial Report*** of Australian Rugby Union Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group*** and Company's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statements of financial position as at 31 December 2016
- Income statements, Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company and Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Other Information

Other Information is financial and non-financial information in Australian Rugby Union's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

We obtained all Other Information prior to the date of this Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other

KPMG

Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company and Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company and Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Trent Duvall
Partner

Sydney
22 March 2017

Australian Securities & Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
026467923

**Form 388**
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
MELBOURNE REBELS RUGBY UNION LIMITED

ACN/ARSN/PIN/ABN
140 597 066

RECEIVED
- 3 JUL 2012
M.S.C.

## Lodgement details

An image of this form will be available as part of the public register.

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)
20728 - Allens Corp Serv Melbourne

Firm/organisation
Allens Corporate Services Pty Ltd

Contact name/position description
Kate Zorzi

Telephone number (during business hours)
(03) 9613 8218

Email address (optional)
Kate.Zorzi@allens.com.au

Postal address

Suburb/City | State/Territory | Postcode

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

- [X] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)

See Guide for definition of large proprietary company

- [ ] A large proprietary company that is not a disclosing entity (H)

See Guide for definition of small proprietary company

- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

**Dates on which financial year begins and ends**

Financial year begins 01/01/11 [D D] [M M] [Y Y] to Financial year ends 31/12/11 [D D] [M M] [Y Y]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A. What is the consolidated revenue of the large proprietary company and the entities that it controls?

B. What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C. How many employees are employed by the large proprietary company and the entities that it controls?

D. How many members does the large proprietary company have?

## 3 Auditor's or reviewer's report

Were the financial statements audited or reviewed?

Tick one box and complete relevant section(s)

☒ Audited – complete **B** only

☐ Reviewed – complete **A** and **B**

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

**A. Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

**B. Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☒ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☒ No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

DELOITTE TOUCHE TOHMATSU

Office, unit, level

LEVEL 10

Street number and Street name

550 BOURKE STREET

Suburb/City: MELBOURNE

State/Territory: VIC

Postcode: 3000

Country (if not Australia)

Date of appointment

3 1 / 0 5 / 1 0

[D D] [M M] [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards – the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A)

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

## Signature

See Guide for details of signatory.

I certify that the attached documents marked (  ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

DURHAM KENIGSVALDS

Signature

Capacity

☐ Director

☒ Company secretary

Date signed

02/07/12
[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

## Annexure 'A'

This is annexure 'A' of pages referred to in Form 388 copy of financial statements and reports

**Company name:** **MELBOURNE REBELS RUGBY UNION LIMITED**
**ACN:** 140 597 066

---

Signed by: [signature]
**Durham Kenigsvalds**
**Secretary**

Date: 2 / 7 / 2012

kyzm A0121728916v1 120045017

# Melbourne Rebels Rugby Union Limited

**ACN 140 597 066**

**Annual report for the financial year ended 31 December 2011**

# Annual financial report
# for the year ended 31 December 2011

## Directors' report

The directors of Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") submit herewith the annual financial report of the Company for the financial year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Harold Mitchell | Chairman, appointed to the Board on 29 December 2009. Mr Mitchell is also Executive Chairman of Aegis Media Pacific Limited and his directorships include Crown Limited, Melbourne Symphony Orchestra Pty Ltd, CARE Australia, Tennis Australia Limited and ThoroughVisioN Pty Ltd. Mr Mitchell is a Company Secretary of the Company. |
| Bob Dalziel | Appointed to the Board on 15 January 2010 and appointed as Deputy Chairman on 12 November 2010. Mr Dalziel is also Chairman of Dacland Management Pty Ltd and director of The Fred Hollows Foundation and Wine Perservea Pty Ltd. |
| Lyndsey Cattermole | Appointed to the Board on 19 February 2010. Ms Cattermole is also a director of PaperlinX Limited, Treasury Wines Estates Limited, Tatts Group Limited, Victorian Major Events Company Limited, Melbourne Theatre Company, JadeLynx Pty Ltd and MPH Agriculture Pty Ltd. |
| Gary Gray | Appointed to the Board on 21 January 2010 and Chairman of the Rugby Committee. Mr Gray is also founder and executive director of Sporting Management Concepts Pty Ltd. |
| Paul Kirk | Appointed to the Board and Chairman of the Audit, Risk Management and Compliance Committee on 19 January 2011 and resigned on 23 September 2011. Mr Kirk is a Chartered Accountant and was a Senior Partner at PricewaterhouseCoopers specialising principally in the area of Corporate Advice and Restructuring. |
| Rod Lamplugh | Appointed to the Board on 28 April 2011. Mr Lamplugh is currently a director of several Aegis Media companies in Australia and New Zealand and is a Deputy Chairman of St Bernard's College. |
| Leon L'Huillier | Re-appointed to the Board on 25 October 2011, having been nominated by the Australian Rugby Union Limited. Mr L'Huillier previously served as the Deputy Chairman from 29 December 2009 until 9 November 2010 and resigned on 25 June 2012. He was the inaugural Company Secretary, Chairman of the Audit, Risk Management and Compliance Committee and Rugby Committee. Mr. L'Huillier is a director and Audit Committee Chairman of ALH Group Limited and served on the Woolworths Limited Board and its Board Committees for 14 years. He is a director of Australian Prostrate Cancer Research and a member of the Heathley Limited Advisory Board. He is a mentor to Copland Scholars in the Faculty of Business and Economics at the University of Melbourne. |
| Rod Macqueen | Appointed to the Board on 14 June 2011. Mr Macqueen was the Head Coach of the Company for the 2011 Super Rugby season. Mr Macqueen is Chairman of Advantage Line Pty Ltd and several other corporations and provides consulting services to multi-national organisations. |
| Tim North | Appointed to the Board on 30 April 2010. Mr North is a member of Senior Counsel, an Associate Member of the Institute of Arbitrators and Mediators and an Affiliate of the Securities Institute of Australia. Mr North is also President of the Victorian Rugby Union. |
| Alan Winney | Appointed to the Board on 19 January 2011 and Chairman of the Strategic and Planning Committee on 10 March 2011. Resigned on 19 June 2012. Mr Winney is Chairman and founder of Emerald Group Pty Ltd and of Queensland based Seashift Properties Pty Ltd. |

**Information about the directors and senior management (continued)**

| Name | Particulars |
|---|---|
| Greg Solomon (Alternate Director) | Appointed to the Board as an Alternate Director on 28 April 2011 and Chairman of the Audit, Risk Management and Compliance Committee on 9 November 2011. A member of the Institute of Chartered Accountants, Mr Solomon is currently the Chief Executive Officer of the Mitchell Family Office Pty Ltd and a director of several Mitchell Family Office companies in Australia. |

**Company secretary**

Durham Kenigsvalds, Chartered Accountant, held the position of Company Secretary of the Company at the end of the financial year. Mr Kenigsvalds joined the Company as Chief Financial Officer on 24 May 2010 and was appointed as Company Secretary on 12 November 2010. Mr Kenigsvalds previously held the position of Senior Manager at KPMG in its Audit and Accounting Advisory Services Group.

**Principal activities**

The principal activity of the Company during the financial year consisted of the Company competing in the Super Rugby Union Competition.

**Review of operations**

The net loss after tax of the Company for the financial year was $6,626,314 (2010: $4,406,037).

**Changes in state of affairs**

There was no significant change in the state of affairs of the Company during the financial year.

**Subsequent events**

The Melbourne Rebels commenced its second season in the Super Rugby competition in 2012 with on field success, winning 4 home and away matches with 3 matches remaining in the season. The support for the team from the Melbourne public has exceeded expectations with support from sponsors and corporate Melbourne being most gratifying.

Over 7,000 members signed-up to the Melbourne Rebels for the 2012 season and game day attendances have averaged over 12,000 for the first 7 home games.

Subsequent to 31 December 2011, the Company has raised further share capital of $1,700,000 from existing investors.

During May 2012, the Company has successfully contracted Scott Higginbotham, an Australian Wallaby calibre player, for the 2013, 2014 and 2015 Super Rugby seasons. The Company also re-signed several of its outstanding 2012 players including, Gareth Delve, Richard Kingi, Nick Phipps, Hugh Pyle and Laurie Weeks for the 2013 Super Rugby season and beyond.

During June 2012, the Company held its inaugural Winter Ball which raised in excess of $300,000 from ticket and auction sales.

During June 2012, the Company finalised an agreement for the sponsorship of its sleeve for the remaining 3 home and away matches of the 2012 season and the 2013 and 2014 seasons.

During June 2012, the Company entered a working capital funding facility with a third party of $1,500,000 with interest only repayments over the term. The working capital funding facility is subject to renewal on 30 June 2013.

The Company looks forward to the remainder of the 2012 year and the years ahead to continue to build a successful Super Rugby team in Melbourne, Victoria.

## Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

## Environmental regulations

The Company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Dividends

In respect of the financial year ended 31 December 2011, no dividends were declared or paid.

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, Durham Kenigsvalds, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law (as noted above), indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors meetings

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or a committee member. During the year, 12 Board meetings, 9 Audit, Risk Management and Compliance meetings and 19 Rugby Committee meetings were held. The Strategic and Planning Committee was established on 10 March 2011.

| | Board of Directors | | Audit, Risk Management and Compliance Committee | | Rugby Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| H Mitchell | 12 | 10 | - | - | - | - |
| L Cattermole | 12 | 9 | - | - | 19 | 13 |
| B Dalziel | 12 | 12 | 8 | 5 | 19 | 6 |
| G Gray | 12 | 10 | - | - | 19 | 19 |
| P Kirk | 10 | 9 | 6 | 6 | - | - |
| R Lamplugh | 7 | 6 | 5 | 4 | - | - |
| L L'Huillier | 2 | 2 | - | - | - | - |
| R Macqueen | 6 | 4 | - | - | 8 | 5 |
| T North | 12 | 9 | 9 | 6 | - | - |
| A Winney | 12 | 11 | - | - | - | - |
| G Solomon | 7 | 4 | 5 | 5 | - | - |

### Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the financial report.

The directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Harold Mitchell
Chairman
Melbourne, 2 July 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

2 July 2012

The Board of Directors
Melbourne Rebels Rugby Union Limited
Visy Park - Gate 3, Royal Parade
CARLTON NORTH VIC 3054

Dear Board Members

**Auditor's Independence Declaration to Melbourne Rebels Rugby Union Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Melbourne Rebels Rugby Union Limited.

As lead audit partner for the audit of the financial statements of Melbourne Rebels Rugby Union Limited for the financial period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

# Independent Auditor's Report to the Members of Melbourne Rebels Rugby Union Limited

We have audited the accompanying financial report of Melbourne Rebels Rugby Union Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 9 to 30.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.* We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Melbourne Rebels Rugby Union Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion, the financial report of Melbourne Rebels Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the period ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne, 2 July 2012

## Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Harold Mitchell
Chairman
Melbourne, 2 July 2012

## Statement of comprehensive income for the financial year ended 31 December 2011

| | Note | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|---|
| **Revenue** | 4 | 13,643,240 | 1,169,357 |
| **Operating expenses** | | | |
| Finance and administration expenses | | (2,850,239) | (2,282,967) |
| Rugby operations expenses | | (11,285,543) | (3,619,191) |
| Commercial expenses | | (6,113,726) | (1,497,037) |
| Finance costs | 4 | (29,086) | (11,685) |
| Other expenses | | (11,796) | (5,127) |
| Loss before tax | | (6,647,150) | (6,246,650) |
| Income tax benefit | 9(a) | 20,836 | 1,840,613 |
| **Loss for the year** | | **(6,626,314)** | **(4,406,037)** |
| **Other comprehensive income for the year (net of tax)** | | - | - |
| **Total comprehensive income for the year** | | **(6,626,314)** | **(4,406,037)** |

Notes to the financial statements are included on pages 14 to 30.

## Statement of financial position as at 31 December 2011

| | Note | 31 December 2011 $ | 31 December 2010 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 20(a) | 266,075 | 530,509 |
| Trade and other receivables | 5 | 1,049,285 | 256,057 |
| Other assets | 6 | 96,718 | 30,294 |
| **Total current assets** | | 1,412,078 | 816,860 |
| **Non-current assets** | | | |
| Plant and equipment | 7 | 743,907 | 933,338 |
| Intangible assets | 8 | - | 44,539 |
| Deferred tax asset | 9(b) | 1,861,448 | 1,840,613 |
| **Total non-current assets** | | 2,605,355 | 2,818,490 |
| **Total assets** | | 4,017,433 | 3,635,350 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 1,554,383 | 2,368,534 |
| Finance lease liabilities | | 59,187 | 54,231 |
| Provisions | 11 | 151,623 | 66,743 |
| Unearned income | 12 | 3,196,283 | 2,762,817 |
| **Total current liabilities** | | 4,961,476 | 5,252,325 |
| **Non-current liabilities** | | | |
| Finance lease liabilities | | 96,641 | 155,729 |
| Unearned income | 12 | 66,667 | 133,333 |
| **Total non-current liabilities** | | 163,308 | 289,062 |
| **Total liabilities** | | 5,124,784 | 5,541,387 |
| **Net assets** | | (1,107,351) | (1,906,037) |
| **Equity** | | | |
| Issued capital | 13 | 9,925,000 | 2,500,000 |
| Accumulated losses | 14 | (11,032,351) | (4,406,037) |
| **Total equity** | | (1,107,351) | (1,906,037) |

## Statement of changes in equity
## for the financial year ended 31 December 2011

| | Fully paid ordinary shares | Accumulated losses | Total Equity |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 17 November 2009** | - | - | - |
| Loss for the period | - | (4,406,037) | (4,406,037) |
| **Total comprehensive income for the year** | **-** | **(4,406,037)** | **(4,406,037)** |
| Issue of equity shares | 2,500,000 | - | 2,500,000 |
| **Balance at 31 December 2010** | **2,500,000** | **(4,406,037)** | **(1,906,037)** |
| **Balance at 31 December 2010** | **2,500,000** | **(4,406,037)** | **(1,906,037)** |
| Loss for the year | - | (6,626,314) | (6,626,314) |
| **Total comprehensive income for the year** | **-** | **(6,626,314)** | **(6,626,314)** |
| Issue of equity shares | 7,425,000 | - | 7,425,000 |
| **Balance at 31 December 2011** | **9,925,000** | **(11,032,351)** | **(1,107,351)** |

## Statement of cash flows
## for the financial year ended 31 December 2011

| | Note | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 12,010,985 | 3,770,474 |
| Payments to suppliers and employees | | (20,679,713) | (5,018,589) |
| Interest received | | 11,989 | 8,857 |
| Interest paid | | (17,750) | (9,321) |
| Income taxes paid | | - | - |
| **Net cash used in operating activities** | 20(b) | (8,674,489) | (1,248,579) |
| **Cash flows from investing activities** | | | |
| Proceeds from grants | | - | 1,350,000 |
| Payments for property, plant and equipment | | (168,621) | (2,091,637) |
| Proceeds from sale of property, plant and equipment | | 8,182 | - |
| Payments for intangible assets | | (25,275) | (44,539) |
| Proceeds from sale of intangible assets | | 1,300,000 | - |
| **Net cash provided by / (used in) investing activities** | | 1,114,286 | (786,176) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity shares | | 7,350,000 | 2,500,000 |
| Proceeds from share applications | | - | 75,000 |
| Payments for finance lease liabilities | | (54,231) | (9,736) |
| **Net cash provided by financing activities** | | 7,295,769 | 2,565,264 |
| **Net increase/(decrease) in cash and cash equivalents** | | (264,434) | 530,509 |
| Cash and cash equivalents at the beginning of the financial year | | 530,509 | - |
| **Cash and cash equivalents at the end of the financial year** | 20(a) | 266,075 | 530,509 |

# Notes to the financial statements for the financial year ended 31 December 2011

## 1. General Information

Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") is a company limited by shares, incorporated and operating in Australia.

The Company's registered office is:

Level 29, 530 Collins Street
Melbourne VIC 3000

The Company's principal place of business is:

Gate 3
Visy Park
Royal Parade
Carlton North VIC 3054

## 2. Adoption of new and revised Accounting Standards

### *Standards and Interpretations affecting amounts reported in the current period (and/ or prior periods)*

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

**Standards affecting presentation and disclosure**

| | |
|---|---|
| Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011) | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. |
| Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011) | The amendments (apart of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. |
| Amendments to AASB 107 'Statements of Cash Flows' | The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. |

## 3. Significant accounting policies

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The financial statements were authorised for issue by the Directors on 2 July 2012.

### Basis of preparation

The 2011 financial statements have been prepared for the year from 1 January 2011 to 31 December 2011 and the 2010 financial statements have been prepared for the period from 17 November 2009 to 31 December 2010.

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### Going concern

At balance date, the Company had incurred a loss after tax of $6,626,314 (2010: $4,406,037). In addition, as at 31 December 2011 the Company's current liabilities exceeded current assets by $3,549,398 (2010: $4,435,465) and it had a deficiency of shareholders equity of $1,107,351 (2010: $1,906,037).

The directors have reasonable expectations that through the successful achievement of the activities listed below, the Company can raise sufficient cash resources whilst reducing costs during the future periods to ensure the Company continues as a going concern.

To continue as a going concern, the Company requires:

- the securing of additional sponsorships and continuation of its current sponsorship arrangements;
- continued strong support from its members;
- the continued support of its banker;
- the continued support of its shareholders; and
- the generation of funds from operating activities.

The directors believe the going concern basis of preparation to be appropriate given the following reasons:

- the Company has been able to attract a number of major sponsorships, both of a cash and in kind nature, that will be realised in the Statement of Comprehensive Income over the 2012 financial year and beyond to assist the Company with its operations;
- the Company has continued to generate significant revenues from membership, game day ticket sales and hospitality packages associated with home matches during the 2012 season;
- during June 2012, the Company entered a working capital funding facility with a third party of $1,500,000 with interest only repayments over the term. The working capital funding facility is subject to renewal on 30 June 2013;
- subsequent to 31 December 2011, the Company has raised further share capital of $1,700,000 from existing investors;
- continued support from the ARU and SANZAR; and
- the Company has also received a letter of support from one of its shareholders which can be drawn upon, if required, to enable it to pay its debts as and when they fall due.

## 3. Significant accounting policies (continued)

Based on the above events, this financial report has therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In the event that the Company is unable to raise sufficient funds as set out above, there is uncertainty whether the Company can continue as a going concern. If the Company is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Company not continue as a going concern.

**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3(r) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

**(a) Revenue recognition**

Revenue, as detailed in Note 4, comprises revenue earned (net of returns and discounts) from Australian Rugby Union ("ARU") distributions, sponsorship, membership, match day and the sale of products or services to entities outside the Company.

(i) ARU distributions

ARU distributions are recognised as they become due and receivable to the Company.

(ii) Sponsorship

Sponsorship revenue is recognised when amounts are due and receivable to the Company in accordance with the terms and conditions of the sponsorship contract.

(iii) Membership

Membership revenue is recognised throughout the duration of the Super Rugby home and away season.

(iv) Match day

Match day revenue is recognised at the conclusion of each Super Rugby home match.

(v) Sales revenue

Sales revenue is recognised as it is earned in accordance with the terms and conditions of the contract.

## 3. Significant accounting policies (continued)

### (a) Revenue recognition (continued)

(vi) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (b) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value of the grant is credited to the carrying amount of the relevant asset and is recognised in the income statement over the expected useful life of the asset on a straight line basis as a reduced depreciation expense.

### (c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on-costs.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### (d) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise.

### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

## 3. Significant accounting policies (continued)

### (e) Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (f) Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

### (g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## 3. Significant accounting policies (continued)

### (g) Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

### (i) Trade and other receivables

Trade receivables which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

### (j) Financial assets

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### (k) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

## 3. Significant accounting policies (continued)

### (l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (m) Intangible assets

Licences recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 3(f).

### (n) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

### (o) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (p) Unearned income

Income received in advance is recognised in line with the terms of specific contracts.

### (q) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

## 3. Significant accounting policies (continued)

### (q) Financial instruments issued by the Company (continued)

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (r) Critical accounting judgements and key sources of estimation uncertainty

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below or elsewhere in the financial statements:

Impairment of intangible assets with indefinite lives

Determining whether intangible assets with indefinite lives are impaired requires an estimation of the value-in-use of the cash generating units to which the asset has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets with indefinite lives at the Statement of Financial Position date was $nil (2010: $44,539).

Useful lives of plant and equipment

As described in the Note 3(k), the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial period, the directors determined that there should be no changes to the useful life of the plant and equipment.

## 4. Loss for the period

Loss for the period has been arrived at after crediting/charging the following items of income and expense:

| | Year ended 31 December 2011 $ | Period ended December 2010 $ |
|---|---|---|
| **Revenue** | | |
| ARU distribution | 3,000,000 | - |
| Sponsorship revenue | 2,990,394 | 1,131,405 |
| Membership revenue | 3,221,210 | - |
| Match day revenue | 2,840,231 | - |
| Sales revenue | 134,262 | 25,667 |
| Sale of intangible assets | 1,300,000 | - |
| Interest revenue | 11,989 | 8,857 |
| Other revenue | 145,154 | 3,428 |
| | 13,643,240 | 1,169,357 |
| **Expenses** | | |
| Employee benefits expense | 10,124,530 | 3,092,240 |
| Operating lease expense | 210,000 | 47,500 |
| Net foreign exchange losses | 6,402 | 901 |
| Interest | 17,750 | 9,321 |
| Bank charges | 11,336 | 2,364 |
| Finance costs | 29,086 | 11,685 |
| Depreciation of non-current assets | 272,859 | 14,146 |
| Amortisation of equipment under finance lease | 73,232 | 13,849 |
| | 346,091 | 27,995 |

## 5. Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 933,312 | 125,995 |
| Other receivables | 115,973 | 130,062 |
| | 1,049,285 | 256,057 |

## 6. Other current assets

| | | |
|---|---|---|
| Prepayments | 96,718 | 30,294 |

## 7. Property, plant and equipment

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| Furniture & fittings - at cost | 58,710 | 21,156 |
| Less accumulated depreciation | (7,730) | (786) |
| | 50,980 | 20,370 |
| | | |
| Computer equipment – at cost | 115,167 | 85,528 |
| Less accumulated depreciation | (43,371) | (11,639) |
| | 71,796 | 73,889 |
| | | |
| Team equipment – at cost | 56,947 | 37,026 |
| Less accumulated depreciation | (12,147) | (1,721) |
| | 44,800 | 35,305 |
| | | |
| Leasehold improvements – at cost | 665,574 | 597,927 |
| Less accumulated depreciation | (221,858) | - |
| | 443,716 | 597,927 |
| | | |
| Equipment under finance lease – at cost | 219,696 | 219,696 |
| Less accumulated amortisation | (87,081) | (13,849) |
| | 132,615 | 205,847 |
| | | |
| Total plant and equipment | 743,907 | 933,338 |

The following useful lives are used in the calculation of depreciation:

- Plant and equipment 3 to 7 years
- Leasehold improvements 3 years

### Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year.

| | | |
|---|---|---|
| *Furniture & fittings* | | |
| Opening carrying amount | 20,370 | - |
| Additions | 37,554 | 21,156 |
| Depreciation expense | (6,944) | (786) |
| Closing carrying amount | 50,980 | 20,370 |

| | | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|---|
| **7.** | **Property, plant and equipment (continued)** | | |
| | *Computer equipment* | | |
| | Opening carrying amount | 73,889 | - |
| | Additions | 43,498 | 85,528 |
| | Disposals | (11,961) | - |
| | Depreciation expense | (33,630) | (11,639) |
| | Closing carrying amount | 71,796 | 73,889 |
| | | | |
| | *Team equipment* | | |
| | Opening carrying amount | 35,305 | - |
| | Additions | 19,922 | 37,026 |
| | Depreciation expense | (10,427) | (1,721) |
| | Closing carrying amount | 44,800 | 35,305 |
| | | | |
| | *Leasehold improvements* | | |
| | Opening carrying amount | 597,927 | - |
| | Additions | 67,647 | 597,927 |
| | Depreciation expense | (221,858) | - |
| | Closing carrying amount | 443,716 | 597,927 |
| | | | |
| | *Equipment under finance lease* | | |
| | Opening carrying amount | 205,847 | - |
| | Additions | - | 219,696 |
| | Amortisation expense | (73,232) | (13,849) |
| | Closing carrying amount | 132,615 | 205,847 |
| | | | |
| | ***Total plant and equipment*** | | |
| | Opening carrying amount | 933,338 | - |
| | Additions | 168,621 | 961,333 |
| | Disposals | (11,961) | - |
| | Depreciation and amortisation expense | (346,091) | (27,995) |
| | Closing carrying amount | 743,907 | 933,338 |
| | | | |
| **8.** | **Intangible assets** | | |
| | Licenses | - | 44,539 |

During the period the Company disposed of licences with a net written down value of $69,814 for proceeds of $1,300,000.

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| **9. Income taxes** | | |
| (a) Income tax benefit recognised in profit or loss | (20,836) | (1,840,613) |
| Tax benefit comprises: | | |
| Deferred tax benefit relating to the origination and reversal of temporary differences | (23,168) | (23,616) |
| Deferred tax benefit relating to tax losses | - | (1,816,997) |
| Under provided in prior years | 2,332 | - |
| Total tax benefit relating to continuing operations | (20,836) | (1,840,613) |
| The benefit for the year can be reconciled to the accounting loss as follows: | | |
| Loss from continuing operations | (6,647,150) | (6,246,650) |
| Income tax benefit calculated at 30% | (1,994,145) | (1,873,995) |
| Effect of expenses that are not deductible in determining taxable profit | 14,002 | 33,382 |
| Effect of expenses that are deductible in determining taxable profit | (7,200) | - |
| Current year tax losses for which no deferred tax was recognised | 1,964,175 | - |
| Under provided in prior years | 2,332 | - |
| Income tax benefit recognised in profit or loss | (20,836) | (1,840,613) |

The tax rate used for the 2011 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(b) Deferred tax balances

**31 December 2011**

| **2011** | Opening Balance $ | Recognised in profit or loss $ | Recognised directly in equity $ | Other $ | Closing Balance $ |
|---|---|---|---|---|---|
| *Temporary Differences* | | | | | |
| Property, plant and equipment | - | (739) | - | - | (739) |
| Finance leases | 2,313 | 4,620 | - | - | 6,933 |
| Provisions | 20,023 | 25,464 | - | - | 45,487 |
| Other liabilities | 1,280 | 15,273 | - | - | 16,553 |
| Tax losses | 1,816,997 | (23,783) | - | - | 1,793,214 |
| | 1,840,613 | 20,835 | - | - | 1,861,448 |

| | |
|---|---|
| Deferred tax assets | 1,862,187 |
| Deferred tax liabilities | (739) |
| Net deferred tax assets | 1,861,448 |

## 9. Income taxes

(b) Deferred tax balances

**31 December 2010**

| 2010 | Opening Balance $ | Recognised in profit or loss $ | Recognised directly in equity $ | Other $ | Closing Balance $ |
|---|---|---|---|---|---|
| *Temporary Differences* | | | | | |
| Finance leases | - | 2,313 | - | - | 2,313 |
| Provisions | - | 20,023 | - | - | 20,023 |
| Other liabilities | - | 1,280 | - | - | 1,280 |
| Tax losses | - | 1,816,997 | - | - | 1,816,997 |
| | - | 1,840,613 | - | - | 1,840,613 |

| | |
|---|---|
| Deferred tax assets | 1,840,613 |
| Deferred tax liabilities | - |
| Net deferred tax assets | 1,840,613 |

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| (c) Unrecognised deferred tax assets | | |
| Deferred tax assets have not been recognised in respect to the following items: | | |
| Tax losses | 1,964,175 | - |

## 10. Trade and other payables

| **Current** | | |
|---|---|---|
| Trade payables | 394,179 | 419,089 |
| Other payables and accruals | 1,160,204 | 1,949,445 |
| | 1,554,383 | 2,368,534 |

## 11. Provisions

| **Current** | | |
|---|---|---|
| Employee benefits | 151,623 | 66,743 |

## 12. Unearned income

| **Current** | | |
|---|---|---|
| Membership, sponsorship and corporate hospitality income received in advance | 3,129,616 | 2,696,150 |
| Lease income received in advance | 66,667 | 66,667 |
| | 3,196,283 | 2,762,817 |
| **Non-Current** | | |
| Lease income received in advance | 66,667 | 133,333 |

## 13. Issued capital

| | 2011 No | 2011 $ | 2010 No | 2010 $ |
|---|---|---|---|---|
| Balance at beginning of the year | 2,500,000 | 2,500,000 | - | - |
| Issue of fully paid ordinary shares | 7,425,000 | 7,425,000 | 2,500,000 | 2,500,000 |
| Balance at end of the year | 9,925,000 | 9,925,000 | 2,500,000 | 2,500,000 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

## 14. Accumulated losses

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| Balance at beginning of the year | (4,406,037) | - |
| Loss for the year | (6,626,314) | (4,406,037) |
| Balance at end of the year | (11,032,351) | (4,406,037) |

## 15. Dividends

No dividends were declared or paid during the financial period.
The adjusted franking account balance is nil.

## 16. Commitments for expenditure

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| ***Operating lease commitments*** | | |
| Not later than 1 year | 210,000 | 210,000 |
| Later than 1 year and not longer than 5 years | 157,500 | 367,500 |
| Balance at end of the period | 367,500 | 577,500 |
| ***Finance lease commitments*** | | |
| Not later than 1 year | 59,187 | 54,231 |
| Later than 1 year and not longer than 5 years | 96,641 | 155,729 |
| Balance at end of the period | 155,828 | 209,960 |

***Player payments***

Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

## 17. Key management personnel

Key management personnel compensation comprised:

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| Short-term benefits | 1,317,277 | 1,227,958 |
| Post-employment benefits | 14,334 | 64,974 |
| | 1,331,611 | 1,292,932 |

## 18. Related parties

During the period, the Company purchased media programs and placements from a related party totalling $387,262 (2010: $129,762) at commercial rates. The balance outstanding as at 31 December 2011 totals $nil (2010: $73,469).

During the period, the Company purchased goods and services totalling $180,174 (2010: $228,868) and sold goods and services totalling $150,262 (2010: $nil) to a related party under a mutual objectives agreement. Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties. The balance payable to and receivable from the related party as at 31 December 2011 totals $80,827 (2010: $4,800) and $65,624 (2010: $nil) respectively.

During the period, a number of related parties purchased membership and corporate hospitality packages from the Company. The terms and conditions of these transactions with related parties were made on terms equivalent to those that prevail in an arm's length transaction.

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| **19. Remuneration of auditors** | | |
| Audit or review of the financial report | 35,000 | - |

The Company's auditor is Deloitte Touche Tohmatsu.

## 20. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

| | Year ended 31 December 2011 $ | Period ended 31 December 2010 $ |
|---|---|---|
| Cash and cash equivalents | 266,075 | 530,509 |

### (b) Reconciliation of loss for the period to net cash flows from operating activities

| | | |
|---|---|---|
| Loss for the period | (6,626,314) | (4,406,037) |
| Depreciation and amortisation | 346,091 | 27,995 |
| Loss on sale of property, plant and equipment | 3,878 | - |
| Profit on sale of intangible asset | (1,230,186) | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | (793,228) | (256,057) |
| Other assets | (66,424) | (30,294) |
| Deferred tax asset | (20,835) | (1,840,613) |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | (739,151) | 2,293,534 |
| Provisions | 84,880 | 66,743 |
| Other liabilities | 366,800 | 2,896,150 |
| Net cash used in operating activities | (8,674,489) | (1,248,579) |

## 21. Subsequent events

The Melbourne Rebels commenced its second season in the Super Rugby competition in 2012 with on field success, winning 4 home and away matches with 3 matches remaining in the season. The support for the team from the Melbourne public has exceeded expectations with support from sponsors and corporate Melbourne being most gratifying.

Over 7,000 members signed-up to the Melbourne Rebels for the 2012 season and game day attendances have averaged over 12,000 for the first 7 home games.

Subsequent to 31 December 2011, the Company has raised further share capital of $1,700,000 from existing investors.

During May 2012, the Company has successfully contracted Scott Higginbotham, an Australian Wallaby calibre player, for the 2013, 2014 and 2015 Super Rugby seasons. The Company also re-signed several of its outstanding 2012 players including, Gareth Delve, Richard Kingi, Nick Phipps, Hugh Pyle and Laurie Weeks for the 2013 Super Rugby season and beyond.

During June 2012, the Company held its inaugural Winter Ball which raised in excess of $300,000 from ticket and auction sales.

During June 2012, the Company finalised an agreement for the sponsorship of its sleeve for the remaining 3 home and away matches of the 2012 season and the 2013 and 2014 seasons.

## 21. Subsequent events (continued)

During June 2012, the Company entered a working capital funding facility with a third party of $1,500,000 with interest only repayments over the term. The working capital funding facility is subject to renewal on 30 June 2013.

The Company looks forward to the remainder of the 2012 year and the years ahead to continue to build a successful Super Rugby team in Melbourne, Victoria.

Australian Securities & Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
028485824

**Form 388**
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
MELBOURNE REBELS RUGBY UNION LTD

ACN/ARSN/PIN/ABN
140 597 066

## Lodgement details

An image of this form will be available as part of the public register.

RECEIVED
28 JUN 2013
M.S.C.

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)
20728 - Allens Corp Serv Melbourne

Firm/organisation
Allens Corporate Services Pty Ltd

Contact name/position description
KATE ZORZI

Telephone number (during business hours)
(03) 9613 8218

Email address (optional)
kate.zorzi@allens.com.au

Postal address

Suburb/City | State/Territory | Postcode

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)

See Guide for definition of large proprietary company

- [ ] A large proprietary company that is not a disclosing entity (H)

See Guide for definition of small proprietary company

- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

**Dates on which financial year begins and ends**

Financial year begins 01/01/12 [DD] [MM] [YY] to Financial year ends 31/12/12 [DD] [MM] [YY]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A. What is the consolidated revenue of the large proprietary company and the entities that it controls?

B. What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C. How many employees are employed by the large proprietary company and the entities that it controls?

D. How many members does the large proprietary company have?

## 3 Auditor's or reviewer's report

Were the financial statements audited or reviewed?

Tick one box and complete relevant section(s)

☒ Audited – complete **B** only

☐ Reviewed – complete **A** and **B**

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

**A. Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

**B. Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☒ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☒ No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

DELOITTE TOUCHE TOHMATSU

Office, unit, level

LEVEL 10

Street number and Street name

550 BOUKE STREET

| Suburb/City | State/Territory | Postcode |
|---|---|---|
| MELBOURNE | VIC | 3000 |

Country (if not Australia)

Date of appointment

3 1 / 0 5 / 1 0

[D D] [M M] [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

| Suburb/City | State/Territory | Postcode |
|---|---|---|
| | | |

Country (if not Australia)

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards – the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A)

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

## Signature

See Guide for details of signatory.

I certify that the attached documents marked (    ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

DURHAM KENIGSVALDS

Signature

Kenigsvalds

Capacity

☐ Director

☒ Company secretary

Date signed

28/06/13

[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

# Annexure 'A'

This is annexure 'A' of 30 pages referred to in ASIC Form 388 Copy of financial statements and reports for the year ending 31 December 2012.

**Company name**: Melbourne Rebels Rugby Union Ltd

**ACN**: 140 597 066

---

Signed by: ______________________
Secretary

Durham Kenigsvalds
Print name

Date: 28/06 2013

# Melbourne Rebels Rugby Union Limited

**ACN 140 597 066**

**Annual report for the financial year ended 31 December 2012**

# Annual financial report
# for the year ended 31 December 2012

## Directors' report

The directors of Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") submit herewith the annual financial report of the Company for the financial year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Harold Mitchell | Chairman, appointed to the Board on 29 December 2009. Mr Mitchell is also Executive Chairman of Aegis Media Pacific Limited and his directorships include Crown Limited, Melbourne Symphony Orchestra Pty Ltd, CARE Australia, Tennis Australia Limited and ThoroughVisioN Pty Ltd. Mr Mitchell is a Company Secretary of the Company. |
| Bob Dalziel | Appointed to the Board on 15 January 2010 and appointed as Deputy Chairman on 12 November 2010. Mr Dalziel is also Chairman of Dacland Management Pty Ltd and The Fred Hollows Foundation and director of Wine Perserva Pty Ltd. |
| Lyndsey Cattermole | Appointed to the Board on 19 February 2010. Mrs Cattermole is also a director of PaperlinX Limited, Treasury Wines Estates Limited, Tatts Group Limited, Victorian Major Events Company Limited, Melbourne Theatre Company, JadeLynx Pty Ltd and MPH Agriculture Pty Ltd. |
| Peter Friend | Appointed to the Board on 12 October 2012 and resigned on 15 April 2013. Mr Friend is a solicitor of the Supreme Court of New South Wales and High Court of Australia. Mr Friend is the former General Manager, Sevens & Asia/Pacific Relation at Australian Rugby Union Limited. |
| Gary Gray | Appointed to the Board on 21 January 2010 and Chairman of the Rugby Committee until it was disbanded on 27 June 2012. Mr Gray is Managing Director of Sporting Management Concepts Pty Ltd and is a Life Member of the Victorian Rugby Union. |
| Rod Lamplugh | Appointed to the Board on 28 April 2011. Mr Lamplugh is a commercial lawyer representing companies in the media sector, currently a director of several Aegis Media companies in Australia and New Zealand, is a director of the Harold Mitchell Foundation and is Deputy Chairman of St Bernard's College in Essendon. |
| Leon L'Huillier | Re-appointed to the Board on 25 October 2011, having been nominated by the Australian Rugby Union Limited. Mr L'Huillier previously served as the Deputy Chairman from 29 December 2009 until 9 November 2010 and resigned on 25 June 2012. He was an inaugural Director and Company Secretary, Chairman of the Audit, Risk Management and Compliance Committee and Rugby Committee. Mr. L'Huillier is a director and Audit Committee Chairman of ALH Group Limited and served on the Woolworths Limited Board and its Board Committees for 14 years. He is a director of Australian Prostate Cancer Research and a member of the Heathley Limited Advisory Board. He is a mentor to Copland Scholars in the Faculty of Business and Economics at the University of Melbourne. |
| Rod Macqueen | Appointed to the Board on 14 June 2011. Mr Macqueen was the Head Coach of the Company for the 2011 Super Rugby season. Mr Macqueen is Chairman of Advantage Line Pty Ltd and Macqueen Management Pty Ltd and provides consulting services to multi-national organisations. |
| Tim North | Appointed to the Board on 30 April 2010. Mr North is a member of Senior Counsel, an Associate Member of the Institute of Arbitrators and Mediators and an Affiliate of the Securities Institute of Australia. Mr North is also President of the Victorian Rugby Union. |

**Information about the directors and senior management (continued)**

| Name | Particulars |
|---|---|
| Alan Winney | Appointed to the Board on 19 January 2011 and Chairman of the Strategic and Planning Committee on 10 March 2011 until his resignation from the Company on 19 June 2012. Mr Winney is Chairman and Chief Executive Officer of Emerald Grain, Chairman of Seashift Properties and PIA Group. Mr Winney's previous directorships include Chairman of Queensland Sugar, director of UFCC Fertiliser (now Ravensdown Fertiliser) and NETCO Cooperative. In 2010, Mr Winney was named Australian Agribusiness Leader of the Year. |
| Greg Solomon (Alternate Director) | Appointed to the Board as an Alternate Director on 28 April 2011 and Chairman of the Audit, Risk Management and Compliance Committee on 9 November 2011. A member of the Institute of Chartered Accountants, Mr Solomon is currently the Chief Executive Officer of the Mitchell Family Office Pty Ltd and a director of several Mitchell Family Office companies in Australia. |

**Company secretary**

Durham Kenigsvalds, Chartered Accountant, held the position of Company Secretary of the Company at the end of the financial year. Mr Kenigsvalds joined the Company as Chief Financial Officer on 24 May 2010 and was appointed as Company Secretary on 12 November 2010. Mr Kenigsvalds previously held the position of Senior Manager at KPMG in its Audit and Accounting Advisory Services Group.

**Principal activities**

The principal activity of the Company during the financial year consisted of the Company competing in the Super Rugby Union Competition.

**Review of operations**

The net loss after tax of the Company for the financial year was $6,399,096 (2011: $6,626,314).

**Changes in state of affairs**

There was no significant change in the state of affairs of the Company during the financial year.

**Subsequent events**

On 25 June 2013, the Company executed an agreement to transfer 100% of the share capital in the Company to the Victorian Rugby Union.

On 25 June 2013, the Company secured an interest free loan facility of $4,750,000 over a ten year period with repayments commencing in 2018.

Subsequent to 31 December 2012, existing shareholder loans of $500,000 have been forgiven.

**Future developments**

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

**Environmental regulations**

The Company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Dividends

In respect of the financial year ended 31 December 2012, no dividends were declared or paid.

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, Durham Kenigsvalds, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law (as noted above), indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors meetings

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or a committee member. During the year, 12 Board meetings, 11 Audit, Risk Management and Compliance meetings and 9 Rugby Committee meetings were held. The Rugby Committee and Strategic and Planning Committee were disbanded on 27 June 2012.

| | Board of Directors | | Audit, Risk Management and Compliance Committee | | Rugby Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| H Mitchell | 12 | 1 | - | - | - | - |
| L Cattermole | 12 | 9 | - | - | 9 | 4 |
| B Dalziel | 12 | 10 | 11 | 8 | 9 | - |
| P Friend | 3 | 3 | - | - | - | - |
| G Gray | 12 | 10 | - | - | 9 | 9 |
| R Lamplugh | 12 | 10 | 11 | 6 | - | - |
| L L'Huillier | 6 | 3 | - | - | - | - |
| R Macqueen | 12 | 8 | - | - | 9 | 4 |
| T North | 12 | 8 | 11 | 3 | 9 | 2 |
| G Solomon | 12 | 9 | 11 | 11 | - | - |
| A Winney | 6 | 3 | - | - | - | - |

## Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the financial report.

The directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Harold Mitchell
Chairman
Melbourne, 26 June 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

26 June 2013

The Board of Directors
Melbourne Rebels Rugby Union Limited
Visy Park - Gate 3, Royal Parade
CARLTON NORTH VIC 3054

Dear Board Members

**Auditor's Independence Declaration to Melbourne Rebels Rugby Union Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Melbourne Rebels Rugby Union Limited.

As lead audit partner for the audit of the financial statements of Melbourne Rebels Rugby Union Limited for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

# Independent Auditor's Report to the Members of Melbourne Rebels Rugby Union Limited

We have audited the accompanying financial report of Melbourne Rebels Rugby Union Limited, which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss and comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company as set out on pages 8 to 28.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Melbourne Rebels Rugby Union Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion, the financial report of Melbourne Rebels Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne, 26 June 2013

## Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Harold Mitchell
Chairman
Melbourne, 26 June 2013

## Statement of profit or loss and comprehensive income for the financial year ended 31 December 2012

| | Note | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|---|
| **Revenue** | 4 | 13,057,624 | 13,643,240 |
| **Operating expenses** | | | |
| Finance and administration expenses | | (2,819,451) | (2,850,239) |
| Rugby operations expenses | | (10,117,496) | (11,285,543) |
| Commercial expenses | | (4,640,378) | (6,113,726) |
| Finance costs | 4 | (105,716) | (29,086) |
| Other expenses | | (3,594) | (11,796) |
| Loss before tax | | (4,629,011) | (6,647,150) |
| Income tax (expense)/benefit | 9(a) | (1,770,085) | 20,836 |
| **Loss for the year** | | **(6,399,096)** | **(6,626,314)** |
| **Other comprehensive income for the year (net of tax)** | | - | - |
| **Total comprehensive income for the year** | | **(6,399,096)** | **(6,626,314)** |

Notes to the financial statements are included on pages 13 to 28.

## Statement of financial position
## as at 31 December 2012

| | Note | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 21(a) | 102,073 | 266,075 |
| Trade and other receivables | 5 | 684,519 | 1,049,285 |
| Other assets | 6 | 16,269 | 96,718 |
| **Total current assets** | | 802,861 | 1,412,078 |
| **Non-current assets** | | | |
| Plant and equipment | 7 | 445,930 | 743,907 |
| Intangible assets | 8 | - | - |
| Deferred tax asset | 9(b) | 91,363 | 1,861,448 |
| **Total non-current assets** | | 537,293 | 2,605,355 |
| **Total assets** | | 1,340,154 | 4,017,433 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 2,393,014 | 1,554,383 |
| Loans and borrowings | 11 | 2,096,677 | 59,187 |
| Provisions | 12 | 144,550 | 151,623 |
| Unearned income | 13 | 2,512,360 | 3,196,283 |
| **Total current liabilities** | | 7,146,601 | 4,961,476 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 11 | - | 96,641 |
| Unearned income | 13 | - | 66,667 |
| **Total non-current liabilities** | | - | 163,308 |
| **Total liabilities** | | 7,146,601 | 5,124,784 |
| **Net assets/(deficiency)** | | (5,806,447) | (1,107,351) |
| **Equity** | | | |
| Issued capital | 14 | 11,625,000 | 9,925,000 |
| Accumulated losses | 15 | (17,431,447) | (11,032,351) |
| **Total equity/(deficiency)** | | (5,806,447) | (1,107,351) |

Notes to the financial statements are included on pages 13 to 28

## Statement of changes in equity
## for the financial year ended 31 December 2012

| | Fully paid ordinary shares | Accumulated losses | Total Equity |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 31 December 2010** | **2,500,000** | **(4,406,037)** | **(1,906,037)** |
| Loss for the year | - | (6,626,314) | (6,626,314) |
| **Total comprehensive income for the year** | **-** | **(6,626,314)** | **(6,626,314)** |
| Issue of equity shares | 7,425,000 | - | 7,425,000 |
| **Balance at 31 December 2011** | **9,925,000** | **(11,032,351)** | **(1,107,351)** |
| **Balance at 31 December 2011** | **9,925,000** | **(11,032,351)** | **(1,107,351)** |
| Loss for the year | - | (6,399,096) | (6,399,096) |
| **Total comprehensive income for the year** | **9,925,000** | **(17,431,447)** | **(7,506,447)** |
| Issue of equity shares | 1,700,000 | - | 1,700,000 |
| **Balance at 31 December 2012** | **11,625,000** | **(17,431,447)** | **(5,806,447)** |

Notes to the financial statements are included on pages 13 to 28

## Statement of cash flows
## for the financial year ended 31 December 2012

| | Note | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 12,895,189 | 12,010,985 |
| Payments to suppliers and employees | | (16,553,545) | (20,679,713) |
| Interest received | | 5,606 | 11,989 |
| Interest paid | | (78,016) | (17,750) |
| Income taxes paid | | - | - |
| **Net cash used in operating activities** | 21(b) | (3,730,766) | (8,674,489) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (77,685) | (168,621) |
| Proceeds from sale of property, plant and equipment | | 3,636 | 8,182 |
| Payments for intangible assets | | - | (25,275) |
| Proceeds from sale of intangible assets | | - | 1,300,000 |
| **Net cash provided by / (used in) investing activities** | | (74,049) | 1,114,286 |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 2,000,000 | - |
| Proceeds from issue of equity shares | | 1,700,000 | 7,350,000 |
| Payments for finance lease liabilities | | (59,187) | (54,231) |
| **Net cash provided by financing activities** | | 3,640,813 | 7,295,769 |
| | | | |
| **Net decrease in cash and cash equivalents** | | (164,002) | (264,434) |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 266,075 | 530,509 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | 21(a) | 102,073 | 266,075 |

Notes to the financial statements are included on pages 13 to 28

# Notes to the financial statements for the financial year ended 31 December 2012

## 1. General Information

Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") is a company limited by shares, incorporated and operating in Australia. The Company is a for-profit entity.

The Company's registered office is:

Level 33, 101 Collins Street
Melbourne VIC 3000

The Company's principal place of business is:

Gate 3
Visy Park
Royal Parade
Carlton North VIC 3054

## 2. Adoption of new and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies.

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Amendments to AASB 101 'Presentation of Financial Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments also require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively. Other than the above the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

During the year, there were no Accounting Standards early adopted by the Company.

## 3. Significant accounting policies

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The financial statements were authorised for issue by the Directors on 26 June 2013.

### Basis of preparation

The 2012 financial statements have been prepared for the year from 1 January 2012 to 31 December 2012.

## 3. Significant accounting policies (continued)

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### Going concern

At balance date, the Company had incurred a loss after tax of $6,399,096 (2011: $6,626,314). In addition, as at 31 December 2012 the Company's current liabilities exceeded current assets by $6,343,740 (2011: $3,549,398) and it had a deficiency of shareholders equity of $5,806,447 (2011: $1,107,351).

The directors believe the going concern basis of preparation to be appropriate given the following reasons:

- the Company has been able to attract a number of major sponsorships, both of a cash and in kind nature, that will be realised in the Statement of Comprehensive Income over the 2013 financial year and beyond to assist the Company with its operations;
- the Company has continued to generate significant revenues from membership, game day ticket sales and hospitality packages associated with home matches during the 2013 season;
- on 25 June 2013, the Company executed an agreement to transfer 100% of the share capital in the Company to the Victorian Rugby Union;
- on 25 June 2013, the Company has secured an interest free loan facility of $4,750,000 over a ten year period with repayments commencing in 2018. The Company is required to repay the existing third party working capital funding facility of $1,500,000 by no later than 30 June 2013;
- existing shareholder loans of $500,000 have been forgiven subsequent to 31 December 2012; and
- continued support from the ARU.

Based on the above events, this financial report has therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3(s) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### (a) Revenue recognition

Revenue, as detailed in Note 4, comprises revenue earned (net of returns and discounts) from Australian Rugby Union ("ARU") distributions, sponsorship, membership, match day and the sale of products or services to entities outside the Company.

(i) ARU distributions

ARU distributions are recognised as they become due and receivable to the Company.

## 3. Significant accounting policies (continued)

### (a) Revenue recognition (continued)

(ii) Sponsorship

Sponsorship revenue is recognised when amounts are due and receivable to the Company in accordance with the terms and conditions of the sponsorship contract.

(iii) Membership

Membership revenue is recognised throughout the duration of the Super Rugby home and away season.

(iv) Match day

Match day revenue is recognised at the conclusion of each Super Rugby home match.

(v) Sales revenue

Sales revenue is recognised as it is earned in accordance with the terms and conditions of the contract.

(vi) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (b) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value of the grant is credited to the carrying amount of the relevant asset and is recognised in the income statement over the expected useful life of the asset on a straight line basis as a reduced depreciation expense.

### (c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on-costs.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

## 3. Significant accounting policies (continued)

### (d) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise.

### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (f) Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

## 3. Significant accounting policies (continued)

### (g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

## 3. Significant accounting policies (continued)

### (i) Trade and other receivables

Trade receivables which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

### (j) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

### (k) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

### (l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (m) Intangible assets

Licences recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 3(f).

### (n) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

## 3. Significant accounting policies (continued)

### (o) Loans and borrowings

The Company recognises loans and borrowings initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### (p) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### (q) Unearned income

Income received in advance is recognised in line with the terms of specific contracts.

### (r) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. Significant accounting policies (continued)

### (s) Critical accounting judgements and key sources of estimation uncertainty

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below or elsewhere in the financial statements:

Useful lives of plant and equipment

As described in the Note 3(k), the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial period, the directors determined that there should be no changes to the useful life of the plant and equipment.

## 4. Loss for the period

Loss for the period has been arrived at after crediting/charging the following items of income and expense:

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **Revenue** | | |
| ARU distribution | 4,000,000 | 3,000,000 |
| Sponsorship revenue | 4,189,188 | 2,990,394 |
| Membership revenue | 2,628,594 | 3,221,210 |
| Match day revenue | 1,813,756 | 2,840,231 |
| Events revenue | 257,515 | - |
| Sales revenue | 76,648 | 134,262 |
| Sale of intangible assets | - | 1,300,000 |
| Interest revenue | 5,606 | 11,989 |
| Other revenue | 86,317 | 145,154 |
| | 13,057,624 | 13,643,240 |
| | | |
| **Expenses** | | |
| Employee benefits expense | 10,209,859 | 10,124,530 |
| Operating lease expense | 210,000 | 210,000 |
| Net foreign exchange losses | 992 | 6,402 |
| | | |
| Interest | 78,016 | 17,750 |
| Bank charges | 27,700 | 11,336 |
| Finance costs | 105,716 | 29,086 |
| | | |
| Depreciation of non-current assets | 293,074 | 272,859 |
| Amortisation of equipment under finance lease | 73,232 | 73,232 |
| | 366,306 | 346,091 |

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **5. Trade and other receivables** | | |
| Trade receivables | 480,666 | 933,312 |
| Other receivables | 203,853 | 115,973 |
| | 684,519 | 1,049,285 |
| **6. Other current assets** | | |
| Prepayments | 16,269 | 96,718 |
| **7. Property, plant and equipment** | | |
| Furniture & fittings - at cost | 96,601 | 58,710 |
| Less accumulated depreciation | (20,964) | (7,730) |
| | 75,637 | 50,980 |
| Computer equipment – at cost | 135,335 | 115,167 |
| Less accumulated depreciation | (86,226) | (43,371) |
| | 49,109 | 71,796 |
| Team equipment – at cost | 59,135 | 56,947 |
| Less accumulated depreciation | (16,876) | (12,147) |
| | 42,259 | 44,800 |
| Leasehold improvements – at cost | 665,574 | 665,574 |
| Less accumulated depreciation | (446,032) | (221,858) |
| | 219,542 | 443,716 |
| Equipment under finance lease – at cost | 219,696 | 219,696 |
| Less accumulated amortisation | (160,313) | (87,081) |
| | 59,383 | 132,615 |
| Total plant and equipment | 445,930 | 743,907 |

The following useful lives are used in the calculation of depreciation:

- Plant and equipment 3 to 7 years
- Leasehold improvements 3 years

## 7. Property, plant and equipment (continued)

***Reconciliations***

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year.

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| *Furniture & fittings* | | |
| Opening carrying amount | 50,980 | 20,370 |
| Additions | 37,891 | 37,554 |
| Depreciation expense | (13,234) | (6,944) |
| Closing carrying amount | 75,637 | 50,980 |
| *Computer equipment* | | |
| Opening carrying amount | 71,796 | 73,889 |
| Additions | 21,366 | 43,498 |
| Disposals | (377) | (11,961) |
| Depreciation expense | (43,676) | (33,630) |
| Closing carrying amount | 49,109 | 71,796 |
| *Team equipment* | | |
| Opening carrying amount | 44,800 | 35,305 |
| Additions | 18,428 | 19,922 |
| Disposals | (8,979) | - |
| Depreciation expense | (11,990) | (10,427) |
| Closing carrying amount | 42,259 | 44,800 |
| *Leasehold improvements* | | |
| Opening carrying amount | 443,716 | 597,927 |
| Additions | - | 67,647 |
| Depreciation expense | (224,174) | (221,858) |
| Closing carrying amount | 219,542 | 443,716 |
| *Equipment under finance lease* | | |
| Opening carrying amount | 132,615 | 205,847 |
| Additions | - | - |
| Amortisation expense | (73,232) | (73,232) |
| Closing carrying amount | 59,383 | 132,615 |

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **7. Property, plant and equipment (continued)** | | |
| ***Total plant and equipment*** | | |
| Opening carrying amount | 743,907 | 933,338 |
| Additions | 77,685 | 168,621 |
| Disposals | (9,356) | (11,961) |
| Depreciation and amortisation expense | (366,306) | (346,091) |
| Closing carrying amount | 445,930 | 743,907 |
| | | |
| **8. Intangible assets** | | |
| Licenses | - | - |

During 2011, the Company disposed of licences with a net written down value of $69,814 for proceeds of $1,300,000.

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **9. Income taxes** | | |
| (a) Income tax expense/(benefit) recognised in profit or loss | 1,770,085 | (20,836) |
| | | |
| Tax expense/(benefit) comprises: | | |
| Deferred tax benefit relating to the origination and reversal of temporary differences | (22,821) | (23,168) |
| Deferred tax expense/(benefit) relating to tax losses | 1,793,214 | - |
| Adjustment for prior years | (308) | 2,332 |
| Total tax expense/(benefit) relating to continuing operations | 1,770,085 | (20,836) |
| | | |
| The expense/(benefit) for the year can be reconciled to the accounting loss as follows: | | |
| | | |
| Loss from continuing operations | (4,629,011) | (6,647,150) |
| | | |
| Income tax benefit calculated at 30% | (1,388,703) | (1,994,145) |
| Effect of expenses that are not deductible in determining taxable profit | 9,620 | 14,002 |
| Effect of expenses that are deductible in determining taxable profit | (7,200) | (7,200) |
| Current year tax losses for which no deferred tax was recognised | 1,363,462 | 1,964,175 |
| Previously recognised tax losses for which no deferred tax was recognised (i) | 1,793,214 | - |
| Adjustment for prior years | (308) | 2,332 |
| Income tax expense/(benefit) recognised in profit or loss | 1,770,085 | (20,836) |

## 9. Income taxes (continued)

The tax rate used for the 2012 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(i) The Company has reassessed previously recognised tax losses and has concluded based on the current performance of the Company that it is not likely that future taxable profit will be available in the near term against which the unused tax losses could be utlitised. Accordingly previously recognised tax losses have been reversed through income tax expense.

(b) Deferred tax balances

| | Opening Balance $ | Recognised in profit or loss $ | Recognised directly in equity $ | Other $ | 31 December 2012 Closing Balance $ |
|---|---|---|---|---|---|
| *Temporary Differences* | | | | | |
| Property, plant and equipment | (739) | 307 | - | - | (432) |
| Finance leases | 6,933 | 4,215 | - | - | 11,148 |
| Provisions | 45,487 | (2,122) | - | - | 43,365 |
| Other liabilities | 16,553 | 20,729 | - | - | 37,282 |
| Tax losses | 1,793,214 | (1,793,214) | - | - | - |
| | 1,861,448 | (1,770,085) | - | - | 91,363 |
| Deferred tax assets | | | | | (432) |
| Deferred tax liabilities | | | | | 91,795 |
| Net deferred tax assets | | | | | 91,363 |

| | Opening Balance $ | Recognised in profit or loss $ | Recognised directly in equity $ | Other $ | 31 December 2011 Closing Balance $ |
|---|---|---|---|---|---|
| *Temporary Differences* | | | | | |
| Property, plant and equipment | - | (739) | - | - | (739) |
| Finance leases | 2,313 | 4,620 | - | - | 6,933 |
| Provisions | 20,023 | 25,464 | - | - | 45,487 |
| Other liabilities | 1,280 | 15,273 | - | - | 16,553 |
| Tax losses | 1,816,997 | (23,783) | - | - | 1,793,214 |
| | 1,840,613 | 20,835 | - | - | 1,861,448 |
| Deferred tax assets | | | | | 1,862,187 |
| Deferred tax liabilities | | | | | (739) |
| Net deferred tax assets | | | | | 1,861,448 |

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **9. Income taxes (continued)** | | |
| (c) Unrecognised deferred tax assets | | |
| Deferred tax assets have not been recognised in respect to the following items: | | |
| Tax losses | 5,106,418 | 1,964,175 |
| **10. Trade and other payables** | | |
| **Current** | | |
| Trade payables | 624,283 | 394,179 |
| Other payables and accruals | 1,768,731 | 1,160,204 |
| | 2,393,014 | 1,554,383 |
| **11. Loans and borrowings** | | |
| **Current** | | |
| Finance lease liabilities | 96,677 | 59,187 |
| Secured bank loan (i) | 1,500,000 | - |
| Related party loans (ii) | 500,000 | - |
| | 2,096,677 | 59,187 |
| **Non-current** | | |
| Finance lease liabilities | | 96,641 |

(i) Secured bank loans are secured by shareholder guarantees with a value of $1,500,000. Secured banks loans accrue interest at BBSY + 3.5% and mature on 30 June 2013.

(ii) Refer to Note 19.

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **12. Provisions** | | |
| **Current** | | |
| Employee benefits | 144,550 | 151,623 |
| **13. Unearned income** | | |
| **Current** | | |
| Membership, sponsorship and corporate hospitality income received in advance | 2,445,693 | 3,129,616 |
| Lease income received in advance | 66,667 | 66,667 |
| | 2,512,360 | 3,196,283 |
| **Non-Current** | | |
| Lease income received in advance | | 66,667 |

## 14. Issued capital

| | 2012 No | 2012 $ | 2011 No | 2011 $ |
|---|---|---|---|---|
| Balance at beginning of the year | 9,925,000 | 9,925,000 | 2,500,000 | 2,500,000 |
| Issue of fully paid ordinary shares | 1,700,000 | 1,700,000 | 7,425,000 | 7,425,000 |
| Balance at end of the year | 11,625,000 | 11,625,000 | 9,925,000 | 9,925,000 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **15. Accumulated losses** | | |
| Balance at beginning of the year | (11,032,351) | (4,406,037) |
| Loss for the year | (6,399,096) | (6,626,314) |
| Balance at end of the year | (17,431,447) | (11,032,351) |

## 16. Dividends

No dividends were declared or paid during the financial period.

The adjusted franking account balance is nil.

## 17. Commitments for expenditure

| | | |
|---|---|---|
| ***Operating lease commitments*** | | |
| Not later than 1 year | 157,500 | 210,000 |
| Later than 1 year and not longer than 5 years | | 157,500 |
| Balance at end of the period | 157,500 | 367,500 |
| ***Finance lease commitments*** | | |
| Not later than 1 year | 96,677 | 59,187 |
| Later than 1 year and not longer than 5 years | | 96,641 |
| Balance at end of the period | 96,677 | 155,828 |

***Player payments***

Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

## 18. Key management personnel

Key management personnel compensation comprised:

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| Short-term benefits | 656,046 | 1,317,277 |
| Post-employment benefits | 14,045 | 14,334 |
| | 670,091 | 1,331,611 |

## 19. Related parties

During the period, the Company purchased media programs and placements from a related party totalling $228,635 (2011: $387,262) at commercial rates. The balance outstanding as at 31 December 2012 totals $nil (2011: $nil).

During the period, the Company purchased goods and services totalling $158,586 (2011: $180,174) and sold goods and services totalling $183,502 (2011: $150,262) to a related party under a mutual objectives agreement. Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties. The balance payable to and receivable from the related party as at 31 December 2012 totals $257,303 (2011: $80,827) and $277,667 (2011: $65,624) respectively.

During the period, the Company entered an arrangement for an unsecured, interest-free loan payable to a related party. The balance of the loan payable to the related party as at 31 December 2012 amounts to $500,000 (2011: $nil) and has no maturity date – refer to Note11.

During the period, a number of related parties purchased membership and corporate hospitality packages from the Company. The terms and conditions of these transactions with related parties were made on terms equivalent to those that prevail in an arm's length transaction.

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **20. Remuneration of auditors** | | |
| Audit or review of the financial report | 35,000 | 35,000 |

The Company's auditor is Deloitte Touche Tohmatsu.

## 21. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| Cash and cash equivalents | 102,073 | 266,075 |

## 21. Notes to the cash flow statement (continued)

| | 31 December 2012 $ | 31 December 2011 $ |
|---|---|---|
| **(b) Reconciliation of loss for the period to net cash flows from operating activities** | | |
| Loss for the period | (6,399,096) | (6,626,314) |
| Depreciation and amortisation | 366,306 | 346,091 |
| Loss on sale of property, plant and equipment | 5,720 | 3,878 |
| Profit on sale of intangible asset | - | (1,230,186) |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | 364,766 | (793,228) |
| Other assets | 80,449 | (66,424) |
| Deferred tax asset | 1,770,085 | (20,835) |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 838,631 | (739,151) |
| Provisions | (7,073) | 84,880 |
| Other liabilities | (750,554) | 366,800 |
| Net cash used in operating activities | (3,730,766) | (8,674,489) |

## 22. Subsequent events

On 25 June 2013, the Company executed an agreement to transfer 100% of the share capital in the Company to the Victorian Rugby Union.

On 25 June 2013, the Company secured an interest free loan facility of $4,750,000 over a ten year period with repayments commencing in 2018.

Subsequent to 31 December 2012, existing shareholder loans of $500,000 have been forgiven.

**Australian Securities & Investments Commission**

Australian Securities & Investments Commission
028823524

**Form 388**
Corporations Act 2001
**294, 294B, 295, 298-301, 307, 308, 319, 321, 322**
Corporations Regulations
**1.0.08, 2M.3.01, 2M.3.03**

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
Australian Rugby Union

20 JAN 2014

ACN/ARSN/PIN/ABN
002 898 544

## Lodgement details

An image of this form will be available as part of the public register.

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)

Firm/organisation

Contact name/position description
Todd Day

Telephone number (during business hours)
(02) 8005 5560

Email address (optional)
todd.day@rugby.com.au

Postal address
PO Box 115

Suburb/City
St Leonards

State/Territory
NSW

Postcode
2065

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)

See Guide for definition of Tier 2 public company limited by guarantee

- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)

See Guide for definition of large proprietary company

- [ ] A large proprietary company that is not a disclosing entity (H)

See Guide for definition of small proprietary company

- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

**Dates on which financial year begins and ends**

Financial year begins [D D] / [M M] / [Y Y] to Financial year ends [D D] / [M M] / [Y Y]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

## 3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

- [x] Audited - complete B only
- [ ] Reviewed - complete A and B
- [ ] No

If no, is there a class or other order exemption current for audit/review relief?

- [ ] Yes
- [ ] No

A. **Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or Institute of Public Accountants and holds a practising certificate issued by one of those bodies?

- [ ] Yes
- [ ] No

B. **Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

- [ ] Yes
- [x] No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

- [ ] Yes
- [x] No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

~~KPMG~~

ACN/ABN

or

Firm name (if applicable)

KPMG

Office, unit, level

Street number and Street name

10 Shelley Street

Suburb/City

SYDNEY

State/Territory

NSW

Postcode

2000

Country (if not Australia)

Date of appointment

[D D] / [M M] / [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

# 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

## Signature

See Guide for details of signatory.

I certify that the attached documents marked (       ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

Todd Day

Signature

Capacity

- [ ] Director
- [x] Company secretary

Date signed

1 5 / 0 1 / 1 4
[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

Australian Rugby Union Limited

ABN 36 002 898 544

Special Purpose Financial Report
31 December 2012



## Contents

# Directors' report

The Directors of Australian Rugby Union Limited ("the Company") submit herewith their report together with the special purpose financial report of the Company for the year ended 31 December 2012 and the Auditor's report thereon.
In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

The names and particulars of the Directors who held office at any time during or since the end of the financial year are:

| | | |
|---|---|---|
| 1 | Michael Hawker AM<br>BSc(Syd), FAICD, SF Fin, FAIM<br>Chairman and Non-Executive Director | Michael is Chairman of the Australian Rugby Union Board. He also Chairs the Audit and Risk Committee and is a member of the Human Resources Committee and Governance and Policy Committee. He was Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) for seven years, and has over 25 years in the financial services industry. Michael is an independent Non-Executive Director of Aviva Plc, Macquarie Group and Washington H. Soul Pattinson & Company Limited. He is Chairman of the George Institute and an Advisory Board Member of the Hong Kong based private equity firm GEMs. Michael has represented Australia and New South Wales and has been a previous Board Director of New South Wales Rugby Union. |
| 2 | Mark Connors<br>LLB – Bachelor of Laws,<br>Professional Diploma in Stockbroking<br>Non-Executive Director | Mark joined the Board in April 2007 and resigned in April 2012. Prior to his resignation he was a member of the Audit and Risk Committee. Mark represented Queensland and Australia between 1991 and 2006 and was a member of the 1999 World Cup winning Wallabies team. He is a former practicing lawyer now working as an investment adviser specialising in Australian Equities. |
| 3 | Gen. Peter Cosgrove AC MC<br>FAICD<br>Non-Executive Director | After serving as an Australian Rugby Union Director from 2007 to 2010, Peter re-joined the Board in April 2011. He is Chairman of the Governance and Policy Committee and a member of the Nominations Committee. Peter is a Director of Qantas Airways Limited and Cardno Limited, and a Director on a number of other Boards. Peter is also Chancellor of the Australian Catholic University, Chairman of the Defence South Australian Advisory Board and Chairman of the NSW Centenary of ANZAC Advisory Council. Peter retired as the Chief of the Australian Defence Force in 2005. He was Australian of the Year in 2001. |
| 4 | John Eales AM<br>Non-Executive Director | John joined the Board in April 2010 and is a member of the Nominations Committee. John played for the Wallabies from 1991 to 2001 and captained them from 1996 to 2001. He is a founding Partner of Mettle Group, which was acquired by publicly-listed company Chandler Macleod. John is a director of Flight Centre Limited, International Quarterback, and GRM International, a project management firm in the field of international aid and development. He is also a columnist with the Australian Financial Review, an Ambassador for Lexus and the Australian Indigenous Education Foundation and has been an Athlete Liaison Officer for the Australian Team for the past three Olympic Games. |
| 5 | George Gregan AM<br>Non-Executive Director | Joining the Board in April 2012, George is a former Wallabies captain and the most-capped international rugby player of all-time. In 2012, George worked with the ACT Brumbies as a Consultant Coach to Jake White. Beyond rugby, George works in the media and is a principal behind a multi-venue café and restaurant business, GG Espresso. In 2012 George was announced as Australian Rugby Union's Classic Wallabies Statesmen for the 2000's. |
| 6 | Richard (Rick) Lee<br>BE(Chem.) MA(Oxon.) FAICD<br>Non-Executive Director | Rick joined the Board in June 2006 and resigned in June 2012, having completed three 2 year terms as a Board appointed director. Rick was the Chairman of the Human Resources Committee throughout his term on the Board. He was Chief Executive Officer of Rothschild in Australia for nine years up to 2001 and since then has been a non-executive director of and consultant to a number of companies. At the time of his resignation, he was Chairman of Salmat Limited, Deputy Chairman of Ridley Corporation Limited and a Director of Newcrest Mining Limited and Oil Search Limited. Until November 2012 he was Chairman of the Australian Institute of Company Directors. |
| 7 | Peter McGrath<br>LLB, FAPI MAICD<br>Chairman and Non-Executive Director | Peter joined the Board in April 2005 and was appointed Chairman in April 2007. He resigned as Director and Chairman in April 2012. He was Chairman of the Nominations Committee and a member of the Human Resources Committee. Peter was one of the Australian Rugby Union representatives on the International Rugby Board Council and a member of the International Rugby Board Executive Committee. Peter is a solicitor and Partner of Griffin Legal in Canberra, a Solicitor of the ACT Supreme Court and a member of the Law Society of the ACT. Peter is a qualified Valuer and a Fellow of the Australian Property Institute. Peter is also a Fellow of the AICD. |





# Directors' report *(continued)*

| | | |
|---|---|---|
| 8 | John Mumm<br>MCom(Hons), ACA(NZ), FAICD<br>Non-Executive Director | John joined the Board in 2007 and is a member of the Audit and Risk Committee and Chairman of the Board's Human Resources Committee. John was Chairman of Spencer Stuart Australia until recently and was on the Firm's global Board of Directors for six years. He now leads Mumm Associates Pty Limited, is a consultant to Spencer Stuart and is a Member of the Buildcorp Group Advisory Board. |
| 9 | John O'Neill AO<br>DipLaw(Syd) FAIB FAICD<br>Managing Director & CEO | John re-joined the Board in June 2007 and resigned in October 2012, having previously served as Managing Director and Chief Executive Officer from 1995 to 2004. John was one of Australian Rugby Union's delegates on the International Rugby Board Council and a member of the SANZAR Executive Committee. John is the Chairman of Echo Entertainment Limited and a Director of Rugby World Cup Limited. He is a former Chief Executive Officer of Football Federation Australia (from 2004 to 2006), former Chairman of Events New South Wales and was Managing Director and Chief Executive Officer of the State Bank of New South Wales, from 1987 to 1995. John is a qualified solicitor, a Foundation Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Bankers. |
| 10 | Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon) AICD<br>Non-Executive Director | Brett joined the Australian Rugby Union Board in April 2011. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and played 16 test matches for the Wallabies. From 2002 to 2005 he was the General Manager of Australian Rugby Union's High Performance Unit. Brett is the Managing Director and Chief Executive Officer of the Integrated Clinical Oncology Network (ICON), a business delivering comprehensive cancer services. Prior to his appointment at ICON, Brett was the Australian Chief Executive Officer for Mondial Assistance and held executive management roles with Insurance Australia Group (IAG), with responsibility for its key brands of NRMA, CGU and Swann in QLD. In 2012 Brett was appointed as a Director on the Boards of the AEIOU Foundation and the HOCA Research Centre. Brett is registered to practice in Queensland and continues to assist orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research. |
| 11 | Ann Sherry AO<br>BA, Grad Dip IR, MAICD, FIPAA<br>Non-Executive Director | Ann joined the board in June 2012. Ann is the Chief Executive Officer of Carnival Australia, the largest cruise ship operator in Australasia. For 12 years prior to taking up the role of Chief Executive Officer at Carnival Australia, Ann was a senior executive in the banking sector, including as Chief Executive Officer, Westpac New Zealand, Chief Executive Officer Bank of Melbourne and Group Executive of People and Performance at Westpac. Ann was the First Assistant Secretary of the Office of the Status of Women in Canberra, advising the Prime Minister on policies and programmes to improve the status of Women and was Australia's representative to the United Nations forums on human rights and women's rights. Ann is a non-executive director of ING Direct (Australia), The Myer Family Company Holdings Pty Limited, Jawun – Indigenous Corporate Partnerships and Chair of Australian Indigenous Education Foundation. She is also Deputy Chair of the Tourism & Transport Forum. |
| 12 | Geoffrey Stooke OAM<br>Non-Executive Director | Geoffrey joined the Board in March of 2012 after a lengthy-stint as Chairman of RugbyWA from 1988 to 2011. He is a member of the Audit and Risk Committee. Geoffrey is the Chairman and Managing Director of Standard Wool Australia Pty Limited and Chairman of Troppus IT & Management Services Pty Limited. Prior to his current roles he held senior management roles in the resources, fishing and food industries, after his early career saw him as an Officer in the Australian Regular Army - which included service, in Australia and abroad. Geoffrey has had a lifelong involvement in rugby and since 1965 has played over 800 grade games including over 600 for the Associates club in Perth. |

## Directors' report *(continued)*

### 2. Company Secretary

Nick Weeks B.Com, LLB (Hons), joined the Company in 2006 and is the Australian Rugby Union's Company Secretary. In addition to Nick's role as Company Secretary he is the Company's General Manager of Strategy, Corporate Affairs and Legal. Before joining the Australian Rugby Union, Nick worked as a corporate lawyer with Allens Arthur Robinson in Sydney and Cravath, Swaine & Moore LLP in New York.

### 3. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Human Resources Committee Meetings | | Governance & Policy Committee Meetings | | Nominations Committee Meetings | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr M Hawker | 10 | 10 | 4 | 4 | 3 | 3 | 5 | 5 | 1 | 1 |
| Gen. P Cosgrove | 10 | 10 | | | | | 5 | 5 | 1 | 2 |
| Mr J Eales | 9 | 10 | | | | | | | 2 | 2 |
| Mr G Gregan | 8 | 8 | | | | | | | | |
| Mr J Mumm | 10 | 10 | 4 | 4 | 5 | 5 | | | | |
| Dr B Robinson | 10 | 10 | | | 3 | 3 | 5 | 5 | | |
| Ms A Sherry | 4 | 4 | | | 3 | 3 | | | | |
| Mr G Stooke | 8 | 8 | 3 | 3 | | | | | | |
| Mr J O'Neill | 7 | 8 | | | | | 3 | 4 | 2 | 2 |
| Mr R Lee | 4 | 5 | | | 2 | 2 | | | | |
| Mr M Connors | 2 | 2 | 1 | 1 | | | | | | |
| Mr P McGrath | 2 | 2 | | | 1 | 1 | | | 1 | 1 |

A = Number of Meetings Attended

B = Reflects the number of meetings held during the time the Director held office during the year

### 4. Principal activities

The Company's principal activities in the financial year were the promotion, efficiency, progress, development and general governance of the game of rugby.

No significant change in the nature of this activity occurred during the year.

*The Special Executive Committee (SEC)* of the Queensland Rugby Union (QRU) was established as a requirement of the Facility Agreement between the Company and QRU. The Committee is made up of appointments from both companies. The Company's appointments on the Committee include: one Non-Executive Director, the Company's Managing Director and two Executives of the Company. The Committee was dissolved in May 2012 following the full loan repayment by QRU.





## Directors' report *(continued)*

### 5. Review of operations

The operating deficit for the financial year before allocations and other payments to Member Unions was a deficit of $3,340,000 (2011: deficit of $5,499,000).

Allocations to Member Unions for coaching and development were $4,928,000 (2011:$5,090,000).

The net deficit for the financial year after allocations and other payments to Member Unions was $8,268,000 (2011: deficit of $10,589,000).

### 6. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### 7. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

### 8. Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses and liabilities incurred by the person as an officer of the Company incurred in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or in relation to such proceedings in which the Court grants relief to the person under the Corporations Act 2001.

In respect to this indemnity, the Company has paid insurance premiums of $20,000 in respect of Directors and Officers of the Company. The insurance policies do not contain details of the premiums paid in respect of individual Directors or Officers of the Company.

### 9. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 31 December 2012.

### 10. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

By order of the Board

M. Hawker
Director

W. Pulver
Director

Dated at Sydney this 28th day of March 2013.

*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

28 March 2013







# Income statement
## For the year ended 31 December 2012

| | Note | 2012 | 2011 Restated* |
|---|---|---|---|
| | | $'000 | $'000 |
| **Revenue** | | | |
| Broadcasting | | 28,363 | 25,095 |
| Matchday | | 33,541 | 19,141 |
| Sponsorships | | 27,974 | 21,568 |
| Licensing | | 1,942 | 1,851 |
| Government grants | | 1,993 | 1,295 |
| IRB grants | | 478 | 4,436 |
| Other income | | 2,273 | 2,225 |
| **Total revenue and other income** | | 96,564 | 75,611 |
| **Operating expenditure** | | | |
| Commission & Servicing costs | | 3,851 | 2,243 |
| Matchday operations | | 17,746 | 8,490 |
| Marketing & media | | 4,600 | 4,048 |
| Wallabies team costs | | 5,625 | 4,031 |
| National Sevens team costs | | 1,600 | 1,245 |
| Super Rugby team costs | | 3,249 | 3,268 |
| Super Rugby grants | | 21,028 | 20,200 |
| Player payments & RUPA costs | | 12,988 | 13,400 |
| High Performance & National Teams | | 6,741 | 6,236 |
| SANZAR office | | 834 | 563 |
| Community Rugby | | 5,074 | 4,445 |
| Corporate | | 16,911 | 14,707 |
| **Total operating expenditure** | | 100,227 | 82,876 |
| **Operating deficit before financing income** | | (3,663) | (7,265) |
| Finance income | | 574 | 1,908 |
| Finance costs | | (422) | (60) |
| **Net finance income** | 3 | 152 | 1,848 |
| **Deficit after net finance income** | | (3,511) | (5,417) |
| Share of profit/(loss) of jointly controlled entity | 12 | 171 | (82) |
| **Deficit before tax** | | (3,340) | (5,499) |
| Income tax expense | 5 | - | - |
| **Deficit for the period before allocations** | | (3,340) | (5,499) |
| Allocations to Member Unions & Affiliates | 18 | (4,928) | (5,090) |
| **Deficit for the period** | 23(a) | (8,268) | (10,589) |

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.

## Statement of comprehensive income
### For the year ended 31 December 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | | *Restated** |
| | | *$'000* | *$'000* |
| **Deficit for the period** | | (8,268) | (10,589) |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Revaluation of property, plant and equipment | | - | 40 |
| **Total items that will not be reclassified to profit and loss** | | - | 40 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Net change in fair value of cash flow hedges transferred to profit and loss | | (3,629) | (5,694) |
| Net change in fair value of cash flow hedges taken to equity | | 2,083 | - |
| **Total items that may be reclassified subsequently to profit or loss** | | (1,546) | (5,694) |
| **Other comprehensive income for the period** | | (1,546) | (5,654) |
| **Total comprehensive income for the period** | | (9,814) | (16,243) |

There were no movements in equity arising from transactions with owners as owners.

*The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.*

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.





## Statement of financial position
### As at 31 December 2012

| | Note | 2012 | 2011 |
|---|---|---|---|
| | | | *Restated** |
| | | *$'000* | *$'000* |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 3,419 | 5,474 |
| Trade and other receivables | 7 | 11,420 | 16,137 |
| Other assets | 8 | 1,536 | 681 |
| Financial assets | 9 | 22 | 1,702 |
| **Total current assets** | | 16,397 | 23,994 |
| **Non-current assets** | | | |
| Trade and other receivables | 7 | 3,785 | 5,784 |
| Property, plant and equipment | 10 | 1,830 | 1,514 |
| Intangible assets | 11 | 1,346 | 1,383 |
| Financial assets | 9 | 2,101 | 609 |
| Investment in Joint Venture | 12 | 750 | 1,022 |
| **Total non-current assets** | | 9,812 | 10,312 |
| **Total assets** | | 26,209 | 34,306 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 9,526 | 7,675 |
| Deferred revenue | 14 | 8,534 | 7,495 |
| Employee benefits | 16 | 1,063 | 779 |
| Financial liabilities | 17 | 38 | 35 |
| **Total current liabilities** | | 19,161 | 15,984 |
| **Non-current liabilities** | | | |
| Deferred revenue | 14 | 3,403 | 4,978 |
| Other liabilities | 15 | 200 | 200 |
| Employee benefits | 16 | 342 | 191 |
| Financial liabilities | 17 | 6 | 42 |
| **Total non-current liabilities** | | 3,951 | 5,411 |
| **Total liabilities** | | 23,112 | 21,395 |
| **Net assets** | | 3,097 | 12,911 |
| **Equity** | | | |
| Retained surplus/(deficit) | | (2,930) | 5,338 |
| Realised cash flow hedge reserve | | 3,001 | 6,021 |
| **Total capital position** | | 71 | 11,359 |
| Asset revaluation reserve | | 903 | 903 |
| Unrealised cash flow hedge reserve | | 2,123 | 649 |
| **Total equity** | | 3,097 | 12,911 |

*The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.*

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.

## Statement of changes in equity
**For the year ended 31 December 2012**

| | Retained earnings | | Asset revaluation reserve | | Cash flow hedge reserve realised | | Cash flow hedge reserve unrealised | | Total equity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 Restated* | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 Restated* |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| *Balance at beginning of period* | 5,338 | 15,927 | 903 | 863 | 6,021 | 6,021 | 649 | 6,343 | 12,911 | 29,154 |
| ***Total comprehensive income for the period*** | | | | | | | | | | |
| *Net surplus/(deficit) for the year* | (8,268) | (10,589) | - | - | - | - | - | - | (8,268) | (10,589) |
| ***Other comprehensive income*** | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (3,020) | - | (609) | (5,694) | (3,629) | (5,694) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | 2,083 | - | 2,083 | - |
| *Revaluation of property, plant and equipment* | - | - | - | 40 | - | - | - | - | - | 40 |
| ***Total comprehensive income for the period*** | (8,268) | (10,589) | - | 40 | (3,020) | - | 1,474 | (5,694) | (9,814) | (16,243) |
| ***Balance at end of period*** | (2,930) | 5,338 | 903 | 903 | 3,001 | 6,021 | 2,123 | 649 | 3,097 | 12,911 |

The Company is a Company Limited by guarantee and, in the event of the winding up of the Company, members may be required to contribute a maximum of $100 each.

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.





## Statement of cash flows
**For the year ended 31 December 2012**

| | Note | 2012 | 2011 Restated* |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 109,377 | 76,096 |
| Cash payments in the course of operations | | (107,725) | (86,433) |
| **Net cash provided by/(used in) operating activities** | 23(a) | 1,652 | (10,337) |
| **Cash flows from investing activities** | | | |
| Net interest received | | 574 | 958 |
| Proceeds from sale of property, plant and equipment | | 12 | - |
| Payments for property, plant and equipment | | (625) | (425) |
| Payments for intangibles | | - | (1,400) |
| **Net cash used in investing activities** | | (39) | (869) |
| **Cash flows from financing activities** | | | |
| Proceeds from sale of foreign exchange options | | 1,292 | 377 |
| Net Proceeds from / repayment of borrowings | | (32) | 77 |
| Allocations to Member Unions & Affiliates | | (4,928) | (5,090) |
| **Net cash used in financing activities** | | (3,668) | (4,637) |
| **Net decrease in cash held** | | (2,055) | (15,843) |
| Cash at beginning of year | | 5,474 | 21,317 |
| **Cash at end of year** | 23(b) | 3,419 | 5,474 |

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 25.

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.

## Note 1. Statement of significant accounting policies (continued)

Australian Rugby Union Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 29-57 Christie Street, St Leonards, NSW 2065. In the opinion of the directors it is not a reporting entity as there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose financial report has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001. This special purpose financial report was authorised for issue by the directors on 28th March 2012.

### (a) Statement of compliance

The financial report is a special purpose financial report which has been prepared in accordance with the Corporations Act 2001, the recognition and measurement aspects of all applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB'), the disclosure requirements of AASB101 *Presentation of Financial Statements*, AASB107 *Cash Flow Statements*, AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB1048 *Interpretation and Application of Standards*.

### (b) Basis of preparation

The financial report is presented in Australian dollars.

Presentation of revenue comparatives in the Income Statement have been changed from a net to gross basis.

The financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial report other than as set out in Note 1(c).

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

The Company has a net current asset deficiency of $2,764,000 as at 31 December 2012, incurred an operating loss of $3,663,000 for the year ended 31 December 2012. The net current asset deficiency is created by $5,286,000 of revenue received in advance related to the 2013 Lions tour being recorded as a liability at year end. The Board is satisfied that the revenues and cash flows from operations in 2013, particularly from the Lions tour, will allow the Company to meet its obligations as and when they fall due for the foreseeable future. Accordingly the financial statements have been presented using the going concern assumption.





## Note 1. Statement of significant accounting policies (continued)

### (c) Changes in accounting policy

During the year, the Company changed the basis of measurement used to calculate revenue to be recorded from broadcasting agreements. In prior years, the basis of measurement used was to recognise revenue based on revenue specified in the agreement for the respective period. The basis of measurement has been altered to estimate revenue using a percentage of completion method determined for each broadcasting right (such as The Rugby Championship (formerly Tri-Nations), Super Rugby, and inbound test matches) based on the number of matches scheduled to be played each year as a proportion of total scheduled matches for each right.

The impact of this change is to decrease reported broadcasting revenues in the 2011 comparative period by $3.1 million with an increase in deferred broadcasting income (deferred revenue) on the balance sheet. There was no impact to the cash flows of the Company.

### (d) Associates and Joint Ventures

In the financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The entity's share of the jointly controlled entity's net profit or loss is recognised in the income statement from the date joint control commenced until the date joint control ceases.

### (e) Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

### (f) Financial instruments

#### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

#### ii Financial assets at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

## Note 1. Statement of significant accounting policies (continued)

### (g) Hedging

#### Cash flow hedges

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

### (h) Property, plant and equipment

#### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.





## Note 1. Statement of significant accounting policies (continued)

### (h) Property, plant and equipment (continued)

#### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

### (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement. Directors' valuation of the intangibles at year end remains the same as in the prior year.

### (j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

### (k) Consumables

Stocks of coaching manuals, law books and other items which are held for resale are recognised as consumables. Consumables also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business.

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other consumables is based on the first-in first-out principle and includes expenditure incurred in acquiring the consumables and bringing them to their existing location and condition.

### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cashflows.

### (m) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (m) i).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

## Note 1. Statement of significant accounting policies (continued)

### (m) Impairment (continued)

#### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (n) Employee benefits

#### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

#### iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

### (o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### (p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.





## Note 1. Statement of significant accounting policies (continued)

### (q) Revenue

#### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales. See note 1(c) relating to the change in recognition of broadcast revenue. Sponsorship revenue is recognised in line with the terms specified in the relevant contracts. Revenue from ticket sales is recognised at the time the match is played. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

#### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant. Grants from the IRB are recorded when the Company has met the conditions or provided services associated with the grant. In respect of Rugby World Cup grants, such conditions and/or services are not considered to be met until the Company's representative team participates in the World Cup

### (r) Expenses

#### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

#### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### (s) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

### (t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## Note 2. Other expenses

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **Employee benefits** | | |
| Wages and salaries | 15,354 | 12,848 |
| Superannuation | 1,073 | 974 |
| **Total employee benefits** | 16,427 | 13,822 |
| | | |
| Amortisation | 37 | 17 |
| Depreciation of Plant and equipment | 282 | 261 |
| **Total amortisation and depreciation** | 319 | 278 |
| | | |
| Net (benefit) from movements in provision for employee entitlements | 435 | 328 |
| Operating lease rental expense payments | 1,684 | 1,609 |

## Note 3. Finance income and finance costs

| | $ | $ |
|---|---|---|
| **Finance income** | | |
| Dividends received | - | 1 |
| Foreign exchange gain | - | 891 |
| Interest income | 574 | 1,016 |
| **Finance income** | 574 | 1,908 |
| | | |
| **Finance costs** | | |
| Foreign exchange loss | (405) | - |
| Interest expense | (17) | (60) |
| **Finance costs** | (422) | (60) |
| | | |
| **Net finance income** | 152 | 1,848 |

## Note 4. Auditors' remuneration

| | $ | $ |
|---|---|---|
| **Audit services** | | |
| Auditors of the Company - KPMG | | |
| Audit of the financial report – current | 55,000 | 54,550 |
| | | |
| **Other services** | | |
| Auditors of the Company – KPMG | | |
| Other assurance services | 72,376 | 6,800 |
| | | |
| | 127,376 | 61,350 |

## Note 5. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997.The Company did not have any Tax Expense from revenue earned from overseas activities.





## Note 6. Cash and cash equivalents

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Cash at bank and on hand | 2,277 | 3,435 |
| Cash on deposit | 1,142 | 2,039 |
| Cash and cash equivalents in the statement of cash flows | 3,419 | 5,474 |

## Note 7. Trade and other receivables

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 4,956 | 8,190 |
| Member unions receivables | 1,095 | 108 |
| Loan to Queensland Rugby Union * | - | 783 |
| Other receivables | 5,369 | 7,056 |
| | 11,420 | 16,137 |
| **Non-current** | | |
| Loans to Member Unions: | $'000 | $'000 |
| ACT Rugby Union | 697 | 427 |
| Northern Territory Rugby Union | 80 | 80 |
| Queensland Rugby Union * | - | 750 |
| South Australian Rugby Union | - | - |
| Tasmanian Rugby Union | 17 | 17 |
| Other receivables | 3,115 | 4,634 |
| Provision for doubtful debts | (124) | (124) |
| | 3,785 | 5,784 |

* The Company extended a 4 year interest bearing facility of $3,000,000 to Queensland Rugby Union (QRU). The loan commenced on 13th August 2010. QRU repaid the loan in full in 2012 and expired the facility with the Company.

## Note 8. Other assets

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Consumables | 1,064 | 66 |
| Prepayments | 472 | 615 |
| | 1,536 | 681 |

## Note 9. Financial assets

| | $'000 | $'000 |
|---|---|---|
| **Current** | | |
| Foreign exchange options** | - | 1,662 |
| Foreign exchange forward contracts | 22 | 40 |
| | 22 | 1,702 |
| **Non-Current** | | |
| Foreign exchange forward contracts | 2,101 | 609 |
| | 2,101 | 609 |

** All foreign exchange options were sold on 3rd April 2012 and replaced with forward contracts. The forward contracts purchased are intended to hedge the exposure to any adverse effects of foreign currency (AUD/USD) volatility in relation to broadcasting revenue to be received between 2013 and 2015.

## Note 10. Property, plant and equipment

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Memorabilia | | |
| At fair value | 927 | 927 |
| Accumulated depreciation | (68) | (45) |
| Total memorabilia | 859 | 882 |
| Plant and equipment | | |
| At cost | 2,102 | 2,095 |
| Accumulated depreciation | (1,158) | (1,463) |
| Total plant and equipment | 944 | 632 |
| Other Capitalized Expenditure * | | |
| At cost | 27 | - |

* During 2012 other capitalized expenditure relating to valuation and land surveying work was incurred

## Note 11. Intangible Assets

| | $'000 | $'000 |
|---|---|---|
| Intellectual Property | 1,300 | 1,300 |
| Software | 100 | 100 |
| Accumulated amortisation | (54) | (17) |
| | 1,346 | 1,383 |

## Note 12. Interest in joint venture

| | $'000 | $'000 |
|---|---|---|
| Investment in SANZAR Europe S.a.r.l. | 555 | 1,104 |
| Share of profit/(loss) for the current period | 124 | (106) |
| | 679 | 998 |
| Investment in SANZAR Pty Ltd | 24 | - |
| Share of profit/(loss) for the current period | 47 | 24 |
| | 71 | 24 |
| | 750 | 1,022 |

## Note 13. Trade and other payables

| | $'000 | $'000 |
|---|---|---|
| Trade creditors | 4,684 | 3,786 |
| Member Union creditors and accruals | 367 | 197 |
| Other creditors and accruals | 4,475 | 3,632 |
| | 9,526 | 7,675 |





## Note 14. Deferred revenue

| | 2012 $'000 | 2011 *Restated $'000 |
|---|---|---|
| Current | | |
| Test match revenue | 5,717 | 1,693 |
| Broadcasting license fees | 972 | 4,731 |
| Sponsorships | 1,045 | 250 |
| Government grants | 717 | 432 |
| Other | 83 | 389 |
| | 8,534 | 7,495 |
| Non-current | | |
| Broadcast license fees | 3,403 | 4,978 |
| | 3,403 | 4,978 |

## Note 15. Other liabilities

| | $'000 | $'000 |
|---|---|---|
| Non-current | | |
| Provision for make good | 200 | 200 |
| | 200 | 200 |

## Note 16. Employee benefits

| | $'000 | $'000 |
|---|---|---|
| Current | | |
| Annual leave | 700 | 404 |
| Long service leave | 363 | 375 |
| | 1,063 | 779 |
| Non-Current | | |
| Long service leave | 342 | 191 |
| | 342 | 191 |
| | 1,405 | 970 |

**Superannuation**

The Company contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted during the period was $1,073,000 (2011: $974,000).

## Note 17. Financial liabilities

| | $'000 | $'000 |
|---|---|---|
| Current | | |
| Financial Lease ** | 38 | 35 |
| Non-Current | | |
| Financial Lease ** | 6 | 42 |
| | 44 | 77 |

** The finance lease is in relation to the purchase of computer software in 2011 which has been capitalised as an intangible asset (see Note 10). The finance lease expires in February 2014.

* Refer to Note 1(c) relating to the restatement of comparatives following a change in accounting policy.

## Note 18. Allocations to Member Unions & Affiliates

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Queensland Rugby Union Ltd | 1,772 | 2,047 |
| New South Wales Rugby Union Ltd | 1,042 | 1,276 |
| Australian Rugby Football Schools Union | 500 | 500 |
| Victoria Rugby Union Inc | 575 | 325 |
| ACT & Southern NSW Rugby Union Ltd | 244 | 200 |
| Western Australia Rugby Union Inc | 200 | 200 |
| Northern Territory Rugby Union Inc | 257 | 225 |
| South Australian Rugby Union Ltd | 260 | 225 |
| Tasmanian Rugby Union Inc | 55 | 55 |
| Other | 23 | 37 |
| Total | 4,928 | 5,090 |

## Note 19. Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has entered into agreements for the period 2011 to 2015 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition and also to provide for Test matches as part of The Rugby Championship (formerly Tri-Nations) competition and the June window for the period of the agreement.

### b) SANZAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the new broadcasting agreements for the 2011 to 2015 period.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments.

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and Professional Rugby Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2011.

The total amounts payable by the Company for 2013 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 12,000 |
| Professional Rugby Agreements | 8,225 |
| | 20,225 |

Further, the Company has non-binding arrangements in relation to Community Rugby as follows:

| | $'000 |
|---|---|
| Premier Rugby Grants | 1,798 |
| Community Rugby Grants | 3,075 |
| | 4,873 |





## Note 19. Commitments (continued)

### e) Operating lease commitments

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Less than one year | 1,512 | 1,664 |
| Between one and five years | 5,347 | 6,930 |
| More than five years | 394 | 1,737 |
| | 7,253 | 10,331 |

The Company leases property under non-cancellable operating leases. The leases will expire within six years. Leases generally provide the Company a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

The Company leases motor vehicles under operating leases expiring within four years. Lease payments are fixed for the term of the leases.

## Note 20. Contingent liabilities

The Company is defendant in a number of claims for personal injuries and other damages relating to the game of rugby. These claims are being defended and generally are subject to insurance coverage. At this time the Directors are unable to ascertain what the Company's liability, if any, may be.

## Note 21. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby, Tri Nations and Rugby Championship rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2012 and the Company's interests are valued at $71,000 (2011: $24,000). See Note 11.

All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

### ii Rugby Shared Services Pty Ltd

The Company has a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd is to facilitate and develop efficiencies across various rugby operations.

The assets and liabilities of Rugby Shared Services Pty Ltd were not material as at 31 December 2012 and the Company's interests were therefore not consolidated in the Company's financial statements.

Rugby Shared Services Pty Ltd net results as at 31 December 2012 were not material. Consequently, the Company's interests were not consolidated in the Company's financial statements.

## Note 22. Interest in joint ventures

### i SANZAR Europe S.a.r.l.

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company and other investors all provided an equal portion of the loan to the investee for start-up purposes. The Company's share of the profit of its equity accounted investee for the year was $124,000 (2011: $106,000 deficit). See Note 11.

## Note 23. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| Net surplus/(deficit) for the period | (8,268) | (10,589) |
| Add/(less) items classified as investing/financing activities: | | |
| Allocations to Member Unions | 4,928 | 5,090 |
| Interest received | (788) | (1,016) |
| Interest paid | 214 | 60 |
| Dividends received | - | (1) |
| Add/(less) non-cash items: | | |
| Amortisation | 37 | 17 |
| Depreciation | 282 | 261 |
| Loss on disposal of assets | 15 | - |
| Loss on foreign exchange | 368 | 323 |
| Release from realised cashflow hedge reserve | (3,020) | - |
| Before change in assets and liabilities | (6,232) | (5,855) |
| Change in assets and liabilities during the financial period | | |
| (Increase)/decrease in receivables | 6,988 | (11,272) |
| (Increase)/decrease in prepayments and consumables | (855) | 400 |
| Increase/(decrease) in payables and provisions | 2,287 | 1,528 |
| Increase/(decrease) in deferred revenue | (536) | 4,862 |
| Net cash (used in)/provided by operating activities | 1,652 | (10,337) |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 |
|---|---|---|
| Cash at bank and on hand | 2,277 | 3,435 |
| Cash on deposit | 1,142 | 2,039 |
| | 3,419 | 5,474 |





## Note 24. Key management personnel disclosures

### Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Special Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2012 | 2012 | 2011 | 2011 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| | Salary | Incentives | Salary | Incentives |
| Mr P McGrath | 22,745 | - | 43,600 | - |
| Mr M Brown | - | - | 7,267 | - |
| Mr M Connors | 20,860 | - | 21,800 | - |
| Mr P Cosgrove AC, MC | 22,192 | - | 14,533 | - |
| Mr J Eales AM | 21,800 | - | 21,800 | - |
| Mr M Hawker AM | 36,333 | - | 21,800 | - |
| Mr R Lee | 10,900 | - | 21,800 | - |
| Mr R McGruther | - | - | 7,267 | - |
| Mr J Mumm | 18,167 | - | 21,800 | - |
| Mr J O'Neill AO* | 1,291,844 | 895,945 | 762,500 | 180,000 |
| Mr B Robinson | 21,800 | - | 14,533 | - |
| Mr G Gregan AM | 14,533 | - | - | - |
| Mrs A Sherry AO | 10,900 | - | - | - |
| Mr G Stooke OAM | 14,533 | - | - | - |
| | 1,506,607 | 895,945 | 958,700 | 180,000 |

* Mr O'Neill resigned as Chief Executive Officer and Managing Director in October 2012. His remuneration includes payments made in accordance with his annual remuneration structure until his resignation, partial payment of incentive based remuneration and other contractual and statutory entitlements.

## *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ("the Company"):

a) the Company is not a reporting entity

b) the financial statements and notes, set out on pages 7 to 25, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company as at 31 December 2012 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 28th day of March 2013.

Signed in accordance with a resolution of the directors:

M. Hawker
Director

W. Pulver
Director



KPMG

## Independent audit report to the members of Australian Rugby Union Limited

### Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Australian Rugby Union Limited (the company), which comprises the statement of financial position as at 31 December 2012, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a true and fair view which is consistent with our understanding of the company's financial position, and of its performance.

KPMG

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

*Auditor's opinion*

In our opinion the financial report of Australian Rugby Union is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

28 March 2013

**Australian Securities & Investments Commission**

Australian Securities & Investments Commission
028998224

**Form 388**
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
AUSTRALIAN RUGBY UNION LIMITED

ACN/ARSN/PIN/ABN
36 002 898 544

## Lodgement details

An image of this form will be available as part of the public register.

RECEIVED
26 AUG 2014
ASIC - Sydney

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)
29718

Firm/organisation
BOARDWORX AUSTRALIA PTY LTD

Contact name/position description
Leanne Ralph

Telephone number (during business hours)
(02) 8263 0515

Email address (optional)
leanne.ralph@boardworx.net.au

Postal address
GPO Box 3720

Suburb/City
SYDNEY

State/Territory
NSW

Postcode
2001

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)
- [ ] A large proprietary company that is not a disclosing entity (H)
- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

**Dates on which financial year begins and ends**

Financial year begins
01/01/13
[D D] [M M] [Y Y]

to

Financial year ends
31/12/13
[D D] [M M] [Y Y]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

$145,729,000

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

$37,798,000

C How many employees are employed by the large proprietary company and the entities that it controls?

249

D How many members does the large proprietary company have?

Voting Members : 11

## 3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

☑ Audited - **complete B only**

☐ Reviewed - **complete A and B**

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

**A. Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

**B. Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☑ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☑ No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*
309950

Family name

Given name

or

Company name
KPMG

ACN/ABN

or

Firm name (if applicable)
KPMG

Office, unit, level

Street number and Street name
10 SHELLEY STREET

Suburb/City
SYDNEY

State/Territory
NSW

Postcode
2000

Country (if not Australia)

Date of appointment
22/02/92
[D D] [M M] [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

## Signature

See Guide for details of signatory.

I certify that the attached documents marked ( A ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

TODD DAY

Signature

Capacity

☐ Director

☑ Company secretary

Date signed

26/08/14
[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

'A'

**Australian Rugby Union Limited**
**ABN: 36 002 898 544**

The attached annexure is the Special Purpose Consolidated Financial Report for the Australian Rugby Union Limited for the year ended 31 December 2013.

The annexure is a total of 32 pages and is that referred to in ASIC Form 388, Copy of Financial Statements and Reports.

Signed ______________________ Dated 26-8.14

Todd Day – Company Secretary

Australian Rugby Union Limited

ABN 36 002 898 544

Special Purpose Consolidated Financial Report
31 December 2013

Australian Rugby Union Limited

# Contents

# Directors' report

The Directors of Australian Rugby Union Limited ('the Company') submit herewith their report together with the special purpose consolidated financial report of the Company for the year ended 31 December 2013 and the Auditor's report thereon.
In order to comply with the provisions of the Corporations Act 2001 the Directors' report is as follows:

## 1. Directors

The names and particulars of the Directors who held office at any time during or since the end of the consolidated financial year are:

| | | |
|---|---|---|
| 1 | Michael Hawker AM<br>BSc(Syd), FAICD, SF Fin, FAIM<br>Chairman and Non-Executive Director | Michael is Chairman of the Australian Rugby Union Board, and the Chairman of the ARU Nominations Committee. Over the past two years he was the rotational Chairman of SANZAR. He is also one of the ARU's two nominees to the International Rugby Board (IRB) Council where he is also a member of the Executive Committee, Rugby Committee, Budget Advisory Committee, Audit and Risk Committee and Governance Committee. He was Managing Director and Chief Executive Officer of Insurance Australia Group (IAG) for seven years, and has over 25 years in the financial services industry. Michael is an independent Non-Executive Director of Aviva Plc, Macquarie Group and Washington H. Soul Pattinson & Company Limited. He is Chairman of the George Institute for Global Health, an International Medical Research Institute. Michael has represented Australia and New South Wales and has been a previous Board Director of New South Wales Rugby Union. |
| 2 | Gen. Peter Cosgrove AC MC<br>FAICD<br>Non-Executive Director | After serving as an Australian Rugby Union Director from 2007 to 2010, Peter re-joined the Board in April 2011 and retired on 20 October 2013. Peter is a Director of Qantas Airways Limited and Cardno Limited, and a Director on a number of other Boards. Peter has been appointed as Australia's next Governor-General from March 2014. Peter is also Chancellor of the Australian Catholic University, Chairman of the Defence South Australian Advisory Board and Chairman of the NSW Centenary of ANZAC Advisory Council. Peter retired as the Chief of the Australian Defence Force in 2005. He was Australian of the Year in 2001. |
| 3 | John Eales AM<br>Non-Executive Director | John joined the Board in April 2010 and is a member of the Nominations Committee. John played for the Wallabies from 1991 to 2001 and captained them from 1996 to 2001. He is a founding Partner of Mettle Group, which was acquired by Chandler Macleod. John is a director of Flight Centre Limited, International Quarterback, FujiXerox-DMS and GRM International. He is also an Ambassador for the Australian Indigenous Education Foundation. |
| 4 | George Gregan AM<br>Non-Executive Director | George joined the Board in April 2012 and resigned on 27 August 2013. George is a former Wallabies captain and until recently the most-capped international rugby player of all-time. In 2012, George worked with the ACT Brumbies as a Consultant Coach to Jake White. Beyond rugby, George works in the media and is a principal behind a multi-venue café and restaurant business, GG Espresso. In 2012 George was announced as Australian Rugby Union's Classic Wallabies Statesmen for the 2000's. |
| 5 | John Mumm<br>MCom(Hons), ACA(NZ), FAICD<br>Non-Executive Director | John joined the Board in 2007 and retired on 21 October 2013. John was a member of the Audit and Risk Committee and Chairman of the Board's Human Resources Committee. John was Chairman of Spencer Stuart Australia until recently and was on the Firm's global Board of Directors for six years. He now leads Mumm Associates Pty Limited, is a consultant to Spencer Stuart and is a Member of the Buildcorp Group Advisory Board. |
| 6 | Dr Brett Robinson<br>MBBS, Dr. Phil (Oxon) GAICD<br>Non-Executive Director | Brett joined the Australian Rugby Union Board in April 2011. Brett was the inaugural captain of the ACT Brumbies in the Super 12 competition and played 16 test matches for the Wallabies. From 2002 to 2005 he was the General Manager of Australian Rugby Union's High Performance Unit. Brett is the Managing Director and Chief Executive Officer of the Integrated Clinical Oncology Network (ICON), a business delivering comprehensive cancer services. Prior to his appointment at ICON, Brett was the Australian Chief Executive Officer for Mondial Assistance and held executive management roles with Insurance Australia Group (IAG), with responsibility for its key brands of NRMA, CGU and Swann in QLD. In 2012 Brett was appointed as a Director on the Boards of the AEIOU Foundation and the HOCA Research Centre. Brett is registered to practice in Queensland and continues to assist orthopaedic colleagues in advanced joint replacement surgery. Brett remains actively involved in clinical research. |

| | | |
|---|---|---|
| 7 | Ann Sherry AO<br>BA, Grad Dip IR, MAICD<br>FIPAA, HonDLitt *Macq*<br>Non-Executive Director | Ann joined the board in June 2012. Ann is the Chief Executive Officer of Carnival Australia, the largest cruise ship operator in Australasia. For 12 years prior to taking up the role of Chief Executive Officer at Carnival Australia, Ann was a senior executive in the banking sector, including as Chief Executive Officer, Westpac New Zealand, Chief Executive Officer Bank of Melbourne and Group Executive of People and Performance at Westpac. Ann was the First Assistant Secretary of the Office of the Status of Women in Canberra, advising the Prime Minister on policies and programmes to improve the status of Women and was Australia's representative to the United Nations forums on human rights and women's rights. Ann is a non-executive director of ING Direct (Australia), The Myer Family Company Holdings Pty Limited, and Jawun. Ann is the Chair of Safe Work Australia and Deputy Chair of Cruise Lines International Asia Pacific |
| 8 | Geoffrey Stooke OAM<br>Non-Executive Director | Geoffrey joined the Board in March of 2012 after a lengthy-stint as Chairman of RugbyWA from 1988 to 2011. He is a member of the Audit and Risk Committee. Geoffrey is the Chairman and Managing Director of Standard Wool Australia Pty Limited and Chairman of Troppus IT & Management Services Pty Limited. Prior to his current roles he held senior management roles in the resources, fishing and food industries, after his early career saw him as an Officer in the Australian Regular Army - which included service, in Australia and abroad. Geoffrey has had a lifelong involvement in rugby and since 1965 has played over 800 grade games including over 600 for the Associates club in Perth. |
| 9 | Paul McLean MBE<br>Non-Executive Director | Paul joined the Board on 27 August 2013. After joining the global real estate services provider, Savills, in 1990, Paul is now the CEO - Savills Australia and NZ. Paul is a former Wallaby and Queensland captain and was inducted into the Wallaby Hall of Fame in 2011. He was President of Queensland Rugby Union from 1999 – 2005, President of the Australian Rugby Union from 2005-2009 and was a member of the IRB's Executive Committee from 2007-2009. |
| 10 | Cameron Clyne | Cameron joined the Board on 21 October 2013. Cameron has been the Managing Director and Group Chief Executive Officer of the National Australia Bank since January 2009. He joined NAB in 2004 following more than 12 years with PricewaterhouseCoopers, leading the Financial Services Industry practice in the Asia Pacific. Cameron was selected as one of 245 people globally as a Young Global Leader by the World Economic Forum to address global challenges including health, education and the environment. |
| 11 | Nerolie Withnall | Nerolie joined the Board on 21 October 2013. Nerolie is a former partner of national law firm Minter Ellison working in commercial law. Nerolie's Board career includes her current role as Chair of international testing services business ALS and non-executive Board roles with resources company PanAust and global registry company Computershare. |
| 12 | Bill Pulver<br>CEO | Bill was appointed CEO of Australian Rugby Union in February 2013. Prior to rugby Bill was CEO of Appen Butler Hill, a linguistic technology company. From 2008 to 2010 he was Chairman of Repucom International, a global leader in sports marketing research. Bill also spent eight years as President and Chief Executive Officer of the New York based, NASDAQ-listed internet media research company NetRatings Inc . Prior to that he spent 17 years at global marketing research company ACNielsen, in roles that included Managing Director in Australia, Group Chief Executive for Japan and Korea based in Tokyo; and President of ACNielsen eRatings.com, an internet audience measurement company based in London. |

### 2. Company Secretary

Richard Hawkins was appointed as joint Company Secretary on 1 June 2013. In addition to this role, Richard is General Counsel for ARU. Richard replaced Nick Weeks who resigned from the position on 1 June 2013.

Todd Day Holds the position of joint Company Secretary and is also Chief Financial Officer of the ARU.

### 3. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

| Director | Board Meetings | | Audit and Risk Committee Meetings | | Human Resources Committee Meetings | | Governance & Policy Committee Meetings | | Nominations Committee Meetings | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| Mr M Hawker | 8 | 8 | 5 | 5 | 2 | 2 | 2 | 2 | 4 | 4 |
| Gen. P Cosgrove | 3 | 5 | | | | | 0 | 1 | | |
| Mr J Eales | 8 | 8 | | | | | | | | |
| Mr G Gregan | 4 | 4 | | | | | | | | |
| Mr J Mumm | 6 | 6 | 4 | 4 | 2 | 2 | | | | |
| Dr B Robinson | 6 | 8 | | | 2 | 2 | 2 | 2 | | |
| Ms A Sherry | 7 | 8 | | | 0 | 2 | | | | |
| Mr G Stooke | 8 | 8 | 5 | 5 | | | | | | |
| Mr P McLean | 5 | 5 | | | | | | | | |
| Mr C Clyne | 3 | 3 | 1 | 1 | | | | | | |
| Mrs N Withnall | 2 | 2 | | | | | | | | |
| Mr W Pulver | 8 | 8 | | | | | 1 | 1 | | |

A = Number of Meetings Attended

B = Reflects the number of meetings held during the time the Director held office during the year

### 4. Principal activities

The Company's principal activities in the financial year were the promotion, efficiency, progress, development and general governance of the game of rugby.

No significant change in the nature of this activity occurred during the year.

# Directors' report *(continued)*

## 5. Review of operations

During the year the company acquired control of Melbourne Rebels Rugby Union Ltd (MRRU) via authority over the appointment of board members. The date of control was effective 1July 2013, and from date of control the financial results of MRRU have been consolidated with the company.

The operating surplus of the consolidated entity for the financial year before allocations and other payments to Member Unions was a surplus of $28,190,000 (2012: deficit of $3,340,000).

The net surplus of the consolidated entity for the financial year after allocations and other payments to Member Unions was $23,014,000 (2012: deficit of $8,268,000).

## 6. Events subsequent to reporting date

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

## 7. Environmental regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

## 8. Indemnification and insurance of officers

In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses and liabilities incurred by the person as an officer of the Company incurred in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or in relation to such proceedings in which the Court grants relief to the person under the Corporations Act 2001.

In respect to this indemnity, the Company has paid insurance premiums of $20,000 in respect of Directors and Officers of the Company. The insurance policies do not contain details of the premiums paid in respect of individual Directors or Officers of the Company.

## 9. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the financial year ended 31 December 2013.

## 10. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

By order of the Board

**M. Hawker**
Director

**W. Pulver**
Director

Dated at Sydney this 14 April 2014.

*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
*Partner*

Sydney

14 April 2014

## Consolidated income statement
## For the year ended 31 December 2013

| | Note | 2013 Consolidated Entity $'000 | 2013 Parent Entity $'000 | 2012 Parent Entity $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Broadcasting | | 41,447 | 41,447 | 28,363 |
| Matchday | | 69,159 | 68,180 | 33,541 |
| Sponsorships | | 27,115 | 25,884 | 27,974 |
| Licensing | | 2,152 | 2,152 | 1,942 |
| Government grants | | 2,746 | 2,746 | 1,993 |
| IRB grants | | 536 | 536 | 478 |
| Other income | | 2,574 | 2,539 | 2,273 |
| **Total revenue and other income** | | **145,729** | **143,484** | **96,564** |
| **Operating expenditure** | | | | |
| Commission & Servicing costs | | 4,772 | 4,640 | 3,851 |
| Matchday operations | | 25,336 | 25,137 | 17,745 |
| Marketing & media | | 6,974 | 6,747 | 4,600 |
| Wallabies team costs | | 7,356 | 7,356 | 5,625 |
| National Sevens team costs | | 3,729 | 3,729 | 1,600 |
| Super Rugby team costs | | 4,647 | 3,129 | 3,249 |
| Super Rugby grants | | 17,900 | 25,350 | 21,028 |
| Player payments & RUPA costs | | 15,988 | 13,970 | 12,968 |
| High Performance & National Teams | | 7,484 | 7,484 | 6,741 |
| SANZAR office | | 978 | 978 | 834 |
| Community Rugby | | 4,798 | 4,798 | 5,074 |
| Corporate | | 19,185 | 17,091 | 16,912 |
| **Total operating expenditure** | | **119,147** | **120,409** | **100,227** |
| **Operating surplus/(deficit) before financing income** | | **26,582** | **23,075** | **(3,663)** |
| Finance income | | 1,488 | 1,488 | 574 |
| Finance costs | | (116) | (103) | (422) |
| **Net finance income** | *3* | **1,372** | **1,385** | **152** |
| **Surplus/(Deficit) after net finance income** | | **27,954** | **24,460** | **(3,511)** |
| Share of profit/(loss) of jointly controlled entity | *12* | 236 | 236 | 171 |
| **Surplus/(Deficit) before tax** | | **28,190** | **24,696** | **(3,340)** |
| Income tax expense | *5* | - | - | - |
| **Surplus/(Deficit) for the period before allocations** | | **28,190** | **24,696** | **(3,340)** |
| Allocations to Member Unions & Affiliates | *18* | (5,176) | (5,176) | (4,928) |
| **Surplus/(Deficit) for the period** | 23(a) | **23,014** | **19,520** | **(8,268)** |
| **Profit attributable to:** | | | | |
| Members of the Company | | 25,020 | 19,520 | (8,268) |
| Non-controlling interests | | (2,006) | - | - |

The consolidated income statement is to be read in conjunction with the notes to the consolidated financial statements set out on pages 13 to 28.

## Consolidated statement of comprehensive income
## For the year ended 31 December 2013

| | *Note* | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|---|
| | | **$'000** | **$'000** | **$'000** |
| **Surplus/(Deficit) for the period** | | **23,014** | **19,520** | **(8,268)** |
| **Other comprehensive income:** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Net change in fair value of cash flow hedges transferred to profit and los: | | (1,778) | (1,778) | (3,629) |
| Net change in fair value of cash flow hedges taken to equity | | (7,187) | (7,187) | 2,083 |
| **Total items that may be reclassified subsequently to profit or loss** | | **(8,965)** | **(8,965)** | **(1,546)** |
| **Other comprehensive income for the period** | | **(8,965)** | **(8,965)** | **(1,546)** |
| **Total comprehensive income for the period** | | **14,049** | **10,555** | **(9,814)** |
| **Comprehensive income for the period attributable to:** | | | | |
| Members of the Company | | **16,055** | **10,555** | **(9,814)** |
| Non-controlling interests | | **(2,006)** | **-** | **-** |

*The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated financial statements set out on pages 13 to 28.*

## Consolidated statement of financial position
### As at 31 December 2013

| | Note | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|---|
| | | *$'000* | *$'000* | *$'000* |
| **Current assets** | | | | |
| Cash and cash equivalents | *6* | 17,822 | 17,767 | 3,419 |
| Trade and other receivables | *7* | 7,138 | 6,742 | 11,420 |
| Other assets | *8* | 843 | 796 | 1,536 |
| Financial assets | *9* | - | - | 22 |
| **Total current assets** | | **25,803** | **25,305** | **16,397** |
| **Non-current assets** | | | | |
| Trade and other receivables | *7* | 6,720 | 6,720 | 5,929 |
| Property, plant and equipment | *10* | 2,465 | 2,348 | 1,830 |
| Intangible assets | *11* | 1,824 | 1,824 | 1,346 |
| Financial assets | *9* | - | - | 2,101 |
| Investment in Joint Venture | *12* | 986 | 986 | 750 |
| **Total non-current assets** | | **11,995** | **11,878** | **11,956** |
| **Total assets** | | **37,798** | **37,183** | **28,353** |
| **Current liabilities** | | | | |
| Trade and other payables | *13* | 11,182 | 9,943 | 9,526 |
| Deferred revenue | *14* | 8,662 | 5,746 | 14,081 |
| Employee benefits | *16* | 684 | 604 | 1,063 |
| Financial liabilities | *17* | 1,980 | 1,958 | 38 |
| **Total current liabilities** | | **22,508** | **18,251** | **24,708** |
| **Non-current liabilities** | | | | |
| Deferred revenue | *14* | 1,686 | 1,686 | - |
| Other liabilities | *15* | 12 | 12 | 200 |
| Employee benefits | *16* | 310 | 310 | 342 |
| Financial liabilities | *17* | 3,292 | 3,272 | 6 |
| **Total non-current liabilities** | | **5,300** | **5,280** | **548** |
| **Total liabilities** | | **27,808** | **23,531** | **25,256** |
| **Net assets** | | **9,990** | **13,652** | **3,097** |
| **Equity** | | | | |
| Retained surplus/(deficit) | | 22,090 | 16,590 | (2,930) |
| Minority interest | | (9,162) | - | - |
| Realised cash flow hedge reserve | | 1,223 | 1,223 | 3,001 |
| **Total capital position** | | **14,151** | **17,813** | **71** |
| Asset revaluation reserve | | 903 | 903 | 903 |
| Unrealised cash flow hedge reserve | | (5,064) | (5,064) | 2,123 |
| **Total equity** | | **9,990** | **13,652** | **3,097** |

*The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements set out on pages 13 to 28.*

Australian Rugby Union Limited

## Statement of changes in equity (Parent company)
## For the year ended 31 December 2013

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cash flow hedge reserve realised* | | *Cash flow hedge reserve unrealised* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| *Balance at beginning of period* | (2,930) | 5,338 | 903 | 903 | 3,001 | 6,021 | 2,123 | 649 | 3,097 | 12,911 |
| ***Total comprehensive income for the period*** | | | | | | | | | | |
| *Net surplus/(deficit) for the year* | 19,520 | (8,268) | - | - | - | - | - | - | 19,520 | (8,268) |
| ***Other comprehensive income*** | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (1,778) | (3,020) | - | (609) | (1,778) | (3,629) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | (7,187) | 2,083 | (7,187) | 2,083 |
| ***Total comprehensive income for the period*** | 19,520 | (8,268) | - | - | (1,778) | (3,020) | (7,187) | 1,474 | 10,555 | (9,814) |
| ***Balance at end of period*** | 16,590 | (2,930) | 903 | 903 | 1,223 | 3,001 | (5,064) | 2,123 | 13,652 | 3,097 |

The Company is a Company Limited by guarantee and, in the event of the winding up of the Company, members may be required to contribute a maximum of $100 each.

Australian Rugby Union Limited

## Statement of changes in equity
## (Consolidated entity)
## For the year ended 31 December 2013

| | *Retained earnings* | | *Asset revaluation reserve* | | *Cashflow hedge reserve realised* | | *Cashflow hedge reserve unrealised* | | *Non-controlling Interest* | | *Total equity* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** |
| *Balance at beginning of period* | (2,930) | 5,338 | 903 | 903 | 3,001 | 6,021 | 2,123 | 649 | 0 | | 3,097 | 12,911 |
| *Balance acquired on subsidiary acquisition* | - | - | - | - | - | - | - | - | (7,156) | - | (7,156) | - |
| ***Total comprehensive income for the period*** | | | | | | | | | | | | |
| *Net surplus/(deficit) for the year* | 25,020 | (8,268) | - | - | - | - | - | - | (2,006) | - | 23,014 | (8,268) |
| ***Other comprehensive income*** | | | | | | | | | | | | |
| *Net change in fair value of cash flow hedge transferred to profit and loss* | - | - | - | - | (1,778) | (3,020) | - | (609) | - | - | (1,778) | (3,629) |
| *Net change in fair value of cash flow hedge transferred to equity* | - | - | - | - | - | - | (7,187) | 2,083 | - | - | (7,187) | 2,083 |
| ***Total comprehensive income for the period*** | **25,020** | **(8,268)** | **-** | **-** | **(1,778)** | **(3,020)** | **(7,187)** | **(1,474)** | **(2,006)** | **-** | **14,049** | **(9,814)** |
| ***Balance at end of period*** | **22,090** | **(2,930)** | **903** | **903** | **1,223** | **(3,001)** | **(5,064)** | **2,123** | **(9,162)** | **-** | **9,990** | **(3,097)** |

The Company is a Company Limited by guarantee and, in the event of the winding up of the Company, members may be required to contribute a maximum of $100 each.

The 2012 comparatives disclosed above relate solely to the Australian Rugby Union.

# Statement of cashflows
**As at 31 December 2013**

| | Note | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|---|
| | | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | |
| Cash receipts in the course of operations | | 155,864 | 153,456 | 109,377 |
| Cash payments in the course of operations | | (134,322) | (127,868) | (107,725) |
| **Net cash provided by/(used in) operating activities** | *23(a)* | **21,542** | **25,588** | **1,652** |
| **Cash flows from investing activities** | | | | |
| Net interest received | | 465 | 479 | 574 |
| Net cash acquired on control of subsidiary | | 115 | - | - |
| Proceeds from sale of property, plant and equipment | | - | - | 12 |
| Payments for property, plant and equipment | | (1,248) | (1,248) | (625) |
| Payments for intangibles | | (577) | (577) | - |
| **Net cash used in investing activities** | | **(1,245)** | **(1,346)** | **(39)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from sale of foreign exchange options | | - | - | 1,292 |
| Net Proceeds from / (repayment) of borrowings | | (718) | 782 | (32) |
| Loans issued to related parties | | - | (5,500) | - |
| Allocations to Member Unions & Affiliates | | (5,176) | (5,176) | (4,928) |
| **Net cash used in financing activities** | | **(5,894)** | **(9,894)** | **(3,668)** |
| **Net increase / (decrease) in cash held** | | **14,403** | **14,348** | **(2,055)** |
| Cash at beginning of year | | 3,419 | 3,419 | 5,474 |
| **Cash at end of year** | *23(b)* | **17,822** | **17,767** | **3,419** |

**Note 1. Statement of significant accounting policies *(continued)***

## (a) Reporting entity

Australian Rugby Union Limited (the 'Company') is a not-for-profit company domiciled in Australia. The address of the Company's registered office is Ground Floor, 29-57 Christie Street, St. Leonards, NSW, 2065. In the opinion of the directors it is not a reporting entity as there are unlikely to exist users of the consolidated financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this special purpose consolidated financial report has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001. This special purpose consolidated financial report was authorised for issue by the directors on 14 April 2014.

## (b) Statement of compliance

The consolidated financial report is a special purpose consolidated financial report which has been prepared in accordance with the Corporations Act 2001, the recognition and measurement aspects of all applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB'), the disclosure requirements of AASB101 *Presentation of Financial Statements*, AASB107 *Cash Flow Statements*, AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*,AASB1031 *Materiality*, AASB1048 *Interpretation and Application of Standards* and AASB1054 *Australian Additional Disclosures*.

## (c) Basis of preparation

The consolidated financial report is presented in Australian dollars.

The consolidated financial report is prepared on the historical cost basis except that financial instruments are valued at fair value through the profit and loss as well as derivative financial instruments and memorabilia which are measured at fair value.

The financial statements have been prepared on a going concern basis based on an analysis of the forecast cash flows from operations of the Group. These assumptions could be impacted by downside risks, particularly impacting Super Rugby franchise teams that may require the Company to incur additional costs in order to field teams under its Broadcasting obligations. The Company considers that if such additional costs were to be incurred they can be funded through a combination of positive cash flow initiatives that are within its control.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the consolidated financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a consolidated financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently by the Company to all periods presented in the consolidated financial report.

The Company has reported a "total capital position" on the statement of financial position. This measure captures realised equity positions of the organisation and excludes unrealised changes in net asset values that are recorded in equity including cash flow hedge reserve and asset revaluation reserve. This is the measure the Board and management uses to assess the net asset backing of the organisation.

**Note 1. Statement of significant accounting policies *(continued)***

## (d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the financial statements of the Company and its consolidated entity, except for AASB 9 Financial Instruments, which becomes mandatory for the 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

## (e) Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction or applicable foreign exchange contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the income statement except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

## (f) Financial instruments

### i Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (g)).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

### ii Financial assets at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

**Note 1. Statement of significant accounting policies *(continued)***

## (g) Hedging

### Cash flow hedges

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when broadcasting or match fee revenue is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'increase/ (decrease) in fair value of financial instruments'.

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging receipts is recognised in the income statement within 'revenue'.

## (h) Property, plant and equipment

### i Owned assets

Items of plant and equipment are measured at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Items of memorabilia are measured at fair value less accumulated depreciation (see below) and impairment losses (see accounting policy (m)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

### ii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

**Note 1. Statement of significant accounting policies *(continued)***

## (h) Property, plant and equipment (continued)

### iii Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, the depreciable amount being cost less residual value.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2 - 20 years
- Memorabilia 40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

## (i) Intangible assets

Intangible assets include the cost of intellectual property and software. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of software assets. Intangible assets are amortised from the date they are available for use.

The estimated useful life in the current and comparative period is as follows:

- Intellectual Property Indefinite
- Software 3 years

These are stated at cost less accumulated amortisation. The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the income statement. Directors' valuation of the intangibles at year end remains the same as in the prior year.

## (j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (m)).

## (k) Consumables

Stocks of coaching manuals, law books and other items which are held for resale are recognised as consumables. Consumables also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business.

Consumables are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other consumables is based on the first-in first-out principle and includes expenditure incurred in acquiring the consumables and bringing them to their existing location and condition.

## (l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

## (m) Impairment

The carrying amount of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (m) i).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

**Note 1. Statement of significant accounting policies *(continued)***

## (m) Impairment (continued)

### i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## (n) Employee benefits

### i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

### ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs.

### iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

## (o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms or less.

**Note 1. Statement of significant accounting policies *(continued)***

## (q) Revenue

### i Goods sold and services rendered

Revenue is recognised in the income statement when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales.

Broadcast revenue is recognised using a percentage of completion method determined for each broadcast right (The Rugby Championship, Super Rugby, inbound test matches) based on the number of matches scheduled to be played each year as a proportion of total scheduled matches for each right.

Sponsorship revenue is recognised in line with the terms specified in the relevant contracts.

Revenue from ticket sales is recognised at the time the match is played. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods or service.

### ii Grants

Grants are considered non-reciprocal transfers to the Company. Grants that compensate the Company for expenses incurred or which contribute to the cost of a capital expenditure are recognised immediately as revenue when there is reasonable assurance that the Company has obtained control of the grant or the right to receive it. Grants expected to be received on a multi-year public policy agreement are recognised as revenue when the Company has met the conditions or provided the services that make it eligible to receive the grant. Grants from the IRB are recorded when the Company has met the conditions or provided services associated with the grant. In respect of Rugby World Cup grants, such conditions and/or services are not considered to be met until the Company's representative team participates in the World Cup.

## (r) Expenses

### i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

### ii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (f)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

## (s) Loans & receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method less impairment losses (see accounting policy (o)).

**Note 1. Statement of significant accounting policies *(continued)***

## (t) Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

Melbourne Rebels Rugby Union Ltd is a taxable entity under Income Tax Assessment Act 1997.

Income tax expense comprises current and deferred tax. It is recognised in profit or loss extent to the extent that it relates to a business combination, or items recognised directly in equity or OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## (u) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## (v) Basis of consolidation

(i). Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

(ii) Interest in equity-accounted investees

Interest in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit of loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

## Note 2. Other expenses

| | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Employee benefits** | | | |
| Wages and salaries | 18,911 | 16,138 | 15,354 |
| Superannuation | 1,394 | 1,181 | 1,073 |
| **Total employee benefits** | **20,305** | **17,319** | **16,427** |
| Amortisation | 99 | 99 | 37 |
| Depreciation of Plant and equipment | 923 | 541 | 282 |
| **Total amortisation and depreciation** | **1,022** | **640** | **319** |
| Net expense from movements in provision for employee entitlements | 452 | 532 | 435 |
| Operating lease rental expense payments | 1,543 | 1,438 | 1,664 |

## Note 3. Finance income and finance costs

| | | | |
|---|---|---|---|
| | $ | $ | $ |
| Foreign exchange gain | 906 | 906 | - |
| Interest income | 582 | 582 | 574 |
| **Finance income** | **1,488** | **1,488** | **574** |
| **Finance costs** | | | |
| Foreign exchange loss | - | - | (405) |
| Interest expense | (117) | (103) | (17) |
| **Finance costs** | **(117)** | **(103)** | **(422)** |
| **Net finance income** | **1,372** | **1,385** | **152** |

## Note 4. Auditors' remuneration

| | | | |
|---|---|---|---|
| | $ | $ | $ |
| **Audit services** | | | |
| Auditors of the Company - KPMG | | | |
| Audit of the financial report – current* | 106,300 | 71,600 | 55,000 |
| **Other services** | | | |
| Auditors of the Company – KPMG | | | |
| Other assurance services | 7,700 | 7,700 | 72,376 |
| | 115,300 | 83,100 | 127,376 |

** Audit fees for 2014 included $15,000 for Rugby Shared Services Pty Ltd, $34,700 for Melbourne Rebels Rugby Union Ltd. These services were not provided by KPMG in 2012*

## Note 5. Income Tax

The Company is exempt from income tax in Australia under the terms of Division 50 of the Income Tax Assessment Act 1997.The Company did not have any Tax Expense from revenue earned from overseas activities.

Melbourne Rebels Rugby Union Ltd is a tax paying entity. Deferred tax assets or liabilities attributable to current and prior year trading losses have not been recognised in the accounts due to the uncertainty of realisation of future income and related income tax payable.

## Note 6. Cash and cash equivalents

| | 2013 Consolidated Entity $'000 | 2013 Parent Entity $'000 | 2012 Parent Entity $'000 |
|---|---|---|---|
| Cash at bank and on hand | 9,284 | 9,229 | 2,277 |
| Cash on deposit | 8,538 | 8,538 | 1,142 |
| Cash and cash equivalents in the statement of cash flows | **17,822** | **17,767** | **3,419** |

**Neither the Group nor the Company has a bank overdraft or any other bank debt at balance date.*

## Note 7. Trade and other receivables

| | $'000 | $'000 | $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | 3,867 | 3,555 | 4,956 |
| Member unions receivables | 466 | 466 | 1,095 |
| Other receivables | 2,805 | 2,721 | 5,369 |
| | **7,138** | **6,742** | **11,420** |
| **Non-current** | | | |
| Loans to Member Unions: | **$'000** | **$'000** | **$'000** |
| ACT Rugby Union | 27 | 27 | 697 |
| Northern Territory Rugby Union | 80 | 80 | 80 |
| South Australian Rugby Union | - | - | - |
| Tasmanian Rugby Union | 17 | 17 | 17 |
| Melbourne Rebels Rugby Union | - | 5,500 | - |
| Other receivables | 6,720 | 6,720 | 5,259 |
| Provision for doubtful debts | (124) | (5,624) | (124) |
| | **6,720** | **6,720** | **5,929** |

## Note 8. Other assets

| | $'000 | $'000 | $'000 |
|---|---|---|---|
| **Current** | | | |
| Consumables | 413 | 413 | 1,064 |
| Prepayments | 430 | 383 | 472 |
| | **843** | **796** | **1,536** |

## Note 9. Financial assets

| | $'000 | $'000 | $'000 |
|---|---|---|---|
| **Current** | | | |
| Foreign exchange forward contracts | - | - | 22 |
| | - | - | **22** |
| **Non-Current** | | | |
| Foreign exchange forward contracts | - | - | 2,101 |
| | - | - | **2,101** |

## Note 10. Property, plant and equipment

| | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| Memorabilia | | | |
| At fair value | 927 | 927 | 927 |
| Accumulated depreciation | (92) | (92) | (68) |
| **Total memorabilia** | **835** | **835** | **859** |
| | | | |
| Plant and equipment | | | |
| At cost | 4,042 | 2,811 | 2,102 |
| Accumulated depreciation | (2,446) | (1,332) | (1,158) |
| **Total plant and equipment** | **1,596** | **1,479** | **944** |
| | | | |
| Other Capitalized Expenditure | | | |
| At cost | **34** | **34** | **27** |

## Note 11. Intangible Assets

| | **$'000** | **$'000** | **$'000** |
|---|---|---|---|
| Intellectual Property | 1,300 | 1,300 | 1,300 |
| Software | 677 | 677 | 100 |
| Accumulated amortisation | (153) | (153) | (54) |
| | **1,824** | **1,824** | **1,346** |

## Note 12. Interest in joint venture

| | **$'000** | **$'000** | **$'000** |
|---|---|---|---|
| Investment in SANZAR Europe S.a.r.l. | 679 | 679 | 555 |
| Share of profit/(loss) for the current period | 157 | 157 | 124 |
| | **836** | **836** | **679** |
| | | | |
| Investment in SANZAR Pty Ltd | 71 | 71 | 24 |
| Share of profit/(loss) for the current period | 79 | 79 | 47 |
| | **150** | **150** | **71** |
| | **986** | **986** | **750** |

## Note 13. Trade and other payables

| | **$'000** | **$'000** | **$'000** |
|---|---|---|---|
| Trade creditors | 2,570 | 1,996 | 4,684 |
| Member Union creditors and accruals | 936 | 936 | 367 |
| Other creditors and accruals | 7,676 | 7,011 | 4,475 |
| | **11,182** | **9,943** | **9,526** |

## Note 14. Deferred revenue

| | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Current** | | | |
| Test match revenue | 1,208 | 1,208 | 5,717 |
| Broadcasting license fees | 2,653 | 2,653 | 6,519 |
| Sponsorships | 2,074 | 746 | 1,045 |
| Government grants | 788 | 788 | 717 |
| Memberships | 1,589 | - | - |
| Other | 350 | 351 | 83 |
| | **8,662** | **5,746** | **14,081** |
| **Non-current** | | | |
| Broadcast license fees | - | - | - |
| Other | 1,686 | 1,686 | - |
| | **1,686** | **1,686** | **-** |

## Note 15. Other liabilities

| | | | |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Non-current** | | | |
| Provision for make good | 12 | 12 | 200 |
| | **12** | **12** | **200** |

## Note 16. Employee benefits

| | | | |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Current** | | | |
| Annual leave | 431 | 351 | 700 |
| Long service leave | 253 | 253 | 363 |
| | **684** | **604** | **1,063** |
| **Non-Current** | | | |
| Long service leave | 310 | 310 | 342 |
| | **310** | **310** | **342** |
| | **994** | **914** | **1,405** |

**Superannuation**

The Group contributes on behalf of employees to externally managed defined contribution superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted by the Company during the period was $1,181,000 (2012: $1,073,000). The value of contributions remitted by the Group during the period was $1,442,000 (2012: $1,073,000)

## Note 17. Financial liabilities

| | 2013 Consolidated Entity $'000 | 2012 Parent Entity $'000 | 2012 Parent Entity $'000 |
|---|---|---|---|
| **Current** | | | |
| Financial Lease | 62 | 40 | 38 |
| Foreign exchange forward contracts | 1,918 | 1,918 | - |
| | **1,980** | **1,958** | **38** |
| **Non-Current** | | | |
| Financial Lease | 147 | 127 | 6 |
| Foreign exchange forward contracts | 3,145 | 3,145 | - |
| | **3,292** | **3,272** | **6** |
| | **5,272** | **5,230** | **44** |

## Note 18. Allocations to Member Unions & Affiliates

| | $'000 | $'000 | $'000 |
|---|---|---|---|
| Queensland Rugby Union Ltd | 1,782 | 1,782 | 1,772 |
| New South Wales Rugby Union Ltd** | 1,050 | 1,050 | 1,042 |
| Australian Rugby Football Schools Union | 613 | 613 | 500 |
| Victoria Rugby Union Inc | 585 | 585 | 575 |
| ACT & Southern NSW Rugby Union Ltd | 244 | 244 | 244 |
| Western Australia Rugby Union Inc | 200 | 200 | 200 |
| Northern Territory Rugby Union Inc | 272 | 272 | 257 |
| South Australian Rugby Union Ltd | 260 | 260 | 260 |
| Tasmanian Rugby Union Inc | 85 | 85 | 55 |
| Other | 85 | 85 | 23 |
| **Total** | **5,176** | **5,176** | **4,928** |

**The Company provides a further $1,819,000 to New South Wales Rugby Union via the provision of staff and associated program expenditure for community rugby activities within New South Wales.*

## Note 19. Commitments

### a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has entered into agreements for the period 2011 to 2015 inclusive. These broadcasting agreements commit the Company to provide five teams for the Super Rugby Competition and also to provide for Test matches as part of The Rugby Championship (formerly Tri-Nations) competition and the June window for the period of the agreement.

### b) SANZAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAR joint venture. These undertakings are consistent with its undertakings in the broadcasting agreements and continue under the new broadcasting agreements for the 2011 to 2015 period.

### c) Collective Bargaining Agreement

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union Inc, Melbourne Rebels Rugby Union Ltd and Rugby Union Players Association Inc.

Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

## Note 19. Commitments (continued)

### d) Participation Agreements, Professional Rugby Agreements and Community Rugby Grants

The Company has entered into Participation Agreements and Professional Rugby Agreements with the entities responsible for the five teams competing in the Super Rugby competition from 2011.
The total amounts payable by the Company for 2014 would be as follows:

| | $'000 |
|---|---|
| **Professional Rugby** | |
| Participation Agreements | 12,000 |
| High Performance Agreements | 8,000 |
| | **20,000** |

Further, the Company has non-binding arrangements in relation to Community Rugby as follows:

| | |
|---|---|
| Premier Rugby Grants | 800 |
| Community Rugby Grants | 3,055 |
| | **3,855** |

### e) Operating lease commitments

| | 2013 Consolidated Entity $'000 | 2013 Parent Entity $'000 | 2012 Parent Entity $'000 |
|---|---|---|---|
| Less than one year | 1,307 | 1,269 | 1,512 |
| Between one and five years | 3,787 | 3,748 | 5,347 |
| More than five years | 200 | 200 | 394 |
| | **5,294** | **5,217** | **7,253** |

The Company leases property under non-cancellable operating leases. The leases will expire within six years. Leases generally provide the Company a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

The Company leases motor vehicles under operating leases expiring within four years. Lease payments are fixed for the term of the leases.

### f) Melbourne Rebels Rugby Union Ltd

The Company has committed to provide financial support via a loan facility to the Melbourne Rebels Rugby Union Ltd for the next twelve months in addition to funding provided during the year. The additional loan facility is limited to $3,000,000 and will be subject to terms and conditions under a formalised agreement.

## Note 20. Contingent liabilities

The Company is defendant in a number of claims for personal injuries and other damages relating to the game of rugby. These claims are being defended and generally are subject to insurance coverage. At this time the Directors are unable to ascertain what the Company's liability, if any, may be.

## Note 21. Investment in jointly controlled entities

### i SANZAR Pty Limited

The Company has a 33% interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to manage the Super Rugby, Tri Nations and Rugby Championship rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of SANZAR Pty Limited were not material as at 31 December 2013 and the Company's interests are valued at $150,000 (2012: $71,000). See Note 12.

All of the obligations of the venturers arising from or attributable to the entity are several only and not joint and several.

## Note 21. Investment in jointly controlled entities (continued)

### ii Rugby Shared Services Pty Ltd

The Company has a 50% interest in Rugby Shared Services Pty Ltd (ACN 139 655 413) (RSS) which was established on 24 September 2009. The primary purpose of Rugby Shared Services Pty Ltd is to facilitate and develop efficiencies across various rugby operations.

The assets and liabilities of Rugby Shared Services Pty Ltd were not material as at 31 December 2013 and the Company's interests were therefore not consolidated in the Company's financial statements.

Rugby Shared Services Pty Ltd net results as at 31 December 2013 were not material. Consequently, the Company's interests were not consolidated in the Company's financial statements.

## Note 22. Interest in joint ventures

### i SANZAR Europe S.a.r.l.

The Company has a 33% interest in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company and other investors all provided an equal portion of the loan to the investee for start-up purposes. The Company's share of the profit of its equity accounted investee for the year was $157,000 (2012: $124,000). See Note 12.

## Note 23. Notes to the Statement of Cashflows

### (a) Reconciliation of deficit to net cash provided by operating activities

| | 2013 Consolidated Entity | 2013 Parent Entity | 2012 Parent Entity |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Net surplus/(deficit) for the period** | 23,014 | 19,520 | (8,268) |
| **Add/(less) items classified as investing/financing** | | | |
| Allocations to Member Unions | 5,176 | 5,176 | 4,928 |
| Interest received | (582) | (582) | (788) |
| Interest paid | 117 | 103 | 214 |
| Write-back of provision for doubtful debts | (782) | (782) | - |
| Write-back of impairment on related party loan | - | 5,500 | - |
| **Add/(less) non-cash items:** | | | |
| Share of profit from jointly controlled entity | (236) | (236) | - |
| Amortisation & depreciation | 1,022 | 640 | 319 |
| Loss on disposal of assets | 138 | 189 | 15 |
| Loss/(gain) on foreign exchange | - | - | 368 |
| Release from realised cashflow hedge reserve | (1,778) | (1,778) | (3,020) |
| **Before change in assets and liabilities** | **26,089** | **27,750** | **(6,232)** |
| **Change in assets and liabilities during the financial period** | | | |
| (Increase)/decrease in receivables | 3,491 | 3,887 | 6,988 |
| (Increase)/decrease in prepayments and consumables | 693 | 740 | (855) |
| Increase/(decrease) in payables and provisions | 1,057 | (262) | 2,287 |
| Increase/(decrease) in deferred revenue | (3,733) | (6,527) | (536) |
| Minority interest in changes in assets & liabilities | (6,055) | - | - |
| **Net cash (used in)/provided by operating activities** | **21,542** | **25,588** | **1,652** |

### (b) Reconciliation of Cash

For the purposes of the Statement of Cashflows, cash includes cash on hand, at bank and short term deposits at call. Cash as at the end of the financial period as shown in the Statement of Cashflows is reconciled to the related items in the balance sheet as follows:

| | $'000 | $'000 | $'000 |
|---|---|---|---|
| Cash at bank and on hand | 9,284 | 9,229 | 2,277 |
| Cash on deposit | 8,538 | 8,538 | 1,142 |
| | **17,822** | **17,767** | **3,419** |

## Note 24. Key management personnel disclosures

### Directors Income

The following information on the Directors' remuneration is voluntarily disclosed by the Company notwithstanding that the Company is under no obligation under Special Purpose Reporting to disclose this information.

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

| | 2013<br>$<br>Salary | 2013<br>$<br>Incentives | 2012<br>$<br>Salary | 2012<br>$<br>Incentives |
|---|---|---|---|---|
| Mr P McGrath | - | - | 22,745 | - |
| Mr M Connors | - | - | 20,860 | - |
| Mr P Cosgrove AC, MC | 15,452 | - | 22,192 | - |
| Mr J Eales AM | 16,362 | - | 21,800 | - |
| Mr M Hawker AM | 32,725 | - | 36,333 | - |
| Mr R Lee | - | - | 10,900 | - |
| Mr J Mumm | 14,240 | - | 18,167 | - |
| Mr J O'Neill AO | - | - | 1,291,844 | 895,945 |
| Mr W Pulver | 696,779 | - | - | - |
| Mr B Robinson | 16,362 | - | 21,800 | - |
| Mr G Gregan AM | 12,721 | - | 14,533 | - |
| Mrs A Sherry AO | 16,362 | - | 10,900 | - |
| Mr G Stooke OAM | 16,362 | - | 14,533 | - |
| Mr P McLean MBE | 4,552 | - | - | - |
| Mr C Clyne | 1,821 | - | - | - |
| Mrs N Withnall | 1,821 | - | - | - |
| | **845,559** | **-** | **1,506,607** | **895,945** |

**Ordinarily the Directors of the Company are entitled to be paid directors' fees of $20,000 per annum, and the Chairman of the Board entitled to $40,000 per annum, paid monthly. During the year, the Directors and Chairman accepted a reduction in these fees of 50%. The differing level of fees above reflect both the effect of the pro-rata reduction and the effect of new directors commencing part way through the year.*

# *Directors' declaration*

In the opinion of the directors of Australian Rugby Union Limited ('the Company') and its controlled entity ('the Group'):

a) the Company is not a reporting entity

b) the consolidated financial statements and notes, set out on pages 7 to 28, are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the financial position of the Company and the Group as at 31 December 2013 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) to the extent described in Note 1 and the Corporations Regulations 2001; and

c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 14th day of April 2014.

Signed in accordance with a resolution of the directors:

M. Hawker
Director

W. Pulver
Director

KPMG

## Independent audit report to the members of Australian Rugby Union Limited

### Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Australian Rugby Union Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated income statements and statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Note 1 to the financial statements so as to present a true and fair view which is consistent with our understanding of the Company's and the Group's financial position, and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

**Independent audit report to the members of Australian Rugby Union Limited (continued)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

*Auditor's opinion*

In our opinion the financial report of Australian Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

KPMG

T Duvall
*Partner*

Sydney

14 April 2014

Australian Securities & Investments Commission

Australian Securities & Investments Commission
029103962

# Form 388

Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
MELBOURNE REBELS RUGBY UNION LTD

ACN/~~ARSN/PIN/ABN~~
140 597 066

## Lodgement details

An image of this form will be available as part of the public register.

RECEIVED
- 6 FEB 2015
ASIC
SSC

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)

Firm/organisation
MELBOURNE REBELS RUGBY UNION LTD

Contact name/position description

Telephone number (during business hours)
( )

Email address (optional)

Postal address
PO BOX 29

Suburb/City
PARKVILLE

State/Territory
VIC

Postcode
3052

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)
- [ ] A large proprietary company that is not a disclosing entity (H)
- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

**Dates on which financial year begins and ends**

Financial year begins
01/01/13
[D D] [M M] [Y Y]

to

Financial year ends
31/12/13
[D D] [M M] [Y Y]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

## 3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

- [x] Audited - complete B only
- [ ] Reviewed - complete A and B
- [ ] No

If no, is there a class or other order exemption current for audit/review relief?

- [ ] Yes
- [ ] No

A. **Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or Institute of Public Accountants and holds a practising certificate issued by one of those bodies?

- [ ] Yes
- [ ] No

B. **Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

- [ ] Yes
- [x] No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

- [ ] Yes
- [x] No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

KPMG

ACN/ABN

58883 627 806

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Date of appointment

[D D] / [M M] / [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

## Signature

See Guide for details of signatory.

I certify that the attached documents marked (      ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

ANTHONY GEORGE FITZGERALD

Signature

Capacity

☐ Director

☐ Company secretary

Date signed

0 5 / 0 2 / 1 3

[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

# Melbourne Rebels Rugby Union Limited

ACN 140 597 066

Annual report for the financial year ended
31 December 2013

# Annual financial report
# for the year ended 31 December 2013

## Directors' report

The directors of Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") submit herewith the annual financial report of the Company for the financial year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Harold Mitchell | Appointed to the Board on 29 December 2009, Mr Mitchell was Chairman until his resignation on 31 July 2013. Mr Mitchell is also Executive Chairman of Aegis Media Pacific Limited and his directorships include Crown Limited, Melbourne Symphony Orchestra Pty Ltd, CARE Australia, Tennis Australia Limited and ThoroughVisioN Pty Ltd. |
| Bob Dalziel | Appointed to the Board on 15 January 2010 and appointed as Deputy Chairman on 12 November 2010. Mr Dalziel is also Chairman of Dacland Management Pty Ltd and The Fred Hollows Foundation and director of Wine Perserva Pty Ltd. |
| Lyndsey Cattermole | Appointed to the Board on 19 February 2010. Mrs Cattermole is also a director of PaperlinX Limited, Treasury Wines Estates Limited, Tatts Group Limited, Victorian Major Events Company Limited, Melbourne Theatre Company, JadeLynx Pty Ltd and MPH Agriculture Pty Ltd. |
| Peter Friend | Appointed to the Board on 12 October 2012 and resigned on 15 April 2013. Mr Friend is a solicitor of the Supreme Court of New South Wales and High Court of Australia. Mr Friend is the former General Manager, Sevens & Asia/Pacific Relation at Australian Rugby Union Limited. |
| Gary Gray | Appointed to the Board on 21 January 2010 and Chairman. Mr Gray is Managing Director of Sporting Management Concepts Pty Ltd and is a Life Member of the Victorian Rugby Union. |
| Rod Lamplugh | Appointed to the Board on 28 April 2011. Mr Lamplugh is a commercial lawyer representing companies in the media sector, currently a director of several Aegis Media companies in Australia and New Zealand, is a director of the Harold Mitchell Foundation and is Deputy Chairman of St Bernard's College in Essendon. |
| Rod Macqueen | Appointed to the Board on 14 June 2011 and resigned on 9 September 2013. Mr Macqueen was the Head Coach of the Company for the 2011 Super Rugby season. Mr Macqueen is Chairman of Advantage Line Pty Ltd and Macqueen Management Pty Ltd and provides consulting services to multi-national organisations. |
| Tim North | Appointed to the Board on 30 April 2010. Mr North is a member of Senior Counsel, an Associate Member of the Institute of Arbitrators and Mediators and an Affiliate of the Securities Institute of Australia. Mr North is also President of the Victorian Rugby Union. |
| Jonathan Ling | Appointed to the board and appointed Chairman on 4 September 2013. Jonathan Peter Ling is the current Chief Executive and Managing Director of GUD Holdings Limited, comprising a number of consumer and industrial products companies in Australia and New Zealand. Jonathan is best known for his leadership at Fletcher Building Limited as Chief Executive Officer and Managing Director from 2006 to 2012. He is also a Non-executive Director of Pact Group Holdings Ltd. |
| Stirling Mortlock | Appointed to the board 13 November 2013. With 80 Wallaby Test caps, including 29 as the Captain, Stirling's knowledge of the game is unprecedented amongst his peers, having recently excelled as a commentator for Wallaby matches on Channel 10 in 2013. Stirling's standing within the Australian sporting community was formally recognised in 2012 when he was made a Member of the Order of Australia in the |

| | |
|---|---|
| | Australia Day Honours List, and he has long expressed his desire to continue to grow the game in Victoria. |
| Rob Clarke | Chief Executive Officer. Appointed to the board on 4 September 2013. Rob has spent over 25 years in senior management positions across a variety of industries including advertising, professional sports administration, financial services, digital IT and import distribution. Rob headed up Bcom3 in Australia/NZ which owned Leo Burnett, Starcom, DMB&B and a number of other communications and media companies, employing over 500 staff across 18 companies with a combined revenue of $90m. During this time Rob was also Chairman of the Advertising Federation of Australia (AFA). Clarke is a former CEO of the ACT Brumbies and COO of the Australian Rugby Union. |
| Angus McKay | Appointed to the board 11 December 2013. Angus McKay is the Director of Pacific National Rail, where he is responsible for driving the overall performance of Intermodal and Bulk Rail freight businesses. With a diverse career spanning more than 23 years and experience in both financial and commercial roles, McKay was appointed to the position in May 2012, having joined Asciano in December 2010 as Chief Financial Officer. Prior to joining Asciano, McKay was Chief Financial Officer at Foster's Group Limited since 2008. He was with the Foster's Limited Group for over six years where he held various senior finance positions in Australia. Prior to joining Foster's, McKay was the Chief Financial Officer for New Zealand Milk Products and before that held a range of senior finance positions within Diageo. Angus will also chair the Melbourne Rebels Audit and Risk committee. |
| Greg Solomon (Alternate Director) | Appointed to the Board as an Alternate Director on 28 April 2011 and resigned on 9 September 2013. A member of the Institute of Chartered Accountants, Mr Solomon is currently the Chief Executive Officer of the Mitchell Family Office Pty Ltd and a director of several Mitchell Family Office companies in Australia. |

**Company secretary**

Durham Kenigsvalds, Chartered Accountant was appointed as Company Secretary on 12 November 2010 and resigned on 4 August 2013. Todd Day, Chartered Accountant, held the position of Company Secretary of the Company at the end of the financial year. Mr Day was appointed as Company Secretary on 4 September 2013 and is the CFO and joint Company Secretary of Australian Rugby Union.

**Principal activities**

The principal activity of the Company during the financial year consisted of the Company competing in the Super Rugby Union Competition.

**Review of operations**

The net loss after tax of the Company for the financial year was $3,099,877 (2012: $6,639,863*).

**Changes in state of affairs**

There was no significant change in the state of affairs of the Company during the financial year.

**Subsequent events**

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

### Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

### Environmental regulations

The Company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### Dividends

In respect of the financial year ended 31 December 2013, no dividends were declared or paid.

### Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law (as noted above), indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### Directors meetings

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or a committee member. During the year, 12 Board meetings were held.

| | Held | Board of Directors Attended |
|---|---|---|
| H Mitchell | 7 | 0 |
| L Cattermole | 12 | 11 |
| B Dalziel | 12 | 11 |
| P Friend | 3 | 3 |
| G Gray | 12 | 11 |
| R Lamplugh | 12 | 9 |
| R Macqueen | 8 | 7 |
| T North | 12 | 12 |
| G Solomon | 9 | 8 |
| R Clarke | 4 | 4 |
| S Mortlock | 4 | 4 |
| J Ling | 5 | 5 |

**Auditor's independence declaration**

The auditor's independence declaration is included on page 7 of the financial report.

The directors' report is signed in accordance with a resolution of directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Jonathan Ling
Chairman
Melbourne, 16/6/2014

*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Melbourne Rebels Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall
*Partner*

Sydney

16 June 2014

KPMG

## Independent auditor's report to the members of Melbourne Rebels Rugby Union Limited

We have audited the accompanying financial report of Melbourne Rebels Rugby Union Limited (the Company), which comprises the statement of financial position as at 31 December 2013, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

## Independent auditor's report to the members of Melbourne Rebels Rugby Union Limited (continued)

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion the financial report of Melbourne Rebels Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

16 June 2014

## Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors

Jonathan Ling
Chairman
Melbourne, 16/6/2014

*stated**

## Statement of profit or loss and comprehensive income for the financial year ended 31 December 2013

| | Note | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|---|
| **Revenue** | 4 | 12,360,761 | 12,816,857 |
| **Operating expenses** | | | |
| Finance and administration expenses | | (3,185,111) | (2,819,451) |
| Rugby operations expenses | | (7,937,871) | (10,117,496) |
| Commercial expenses | | (4,182,758) | (4,640,378) |
| Finance costs | 4 | (62,974) | (105,716) |
| Other expenses | | (561) | (3,594) |
| Loss before tax | | (3,008,514) | (4,869,778) |
| Income tax expense | 8 | (91,363) | (1,770,085) |
| **Loss for the year** | | **(3,099,877)** | **(6,639,863)** |
| **Other comprehensive income for the year (net of tax)** | | - | - |
| **Total comprehensive income for the year** | | **(3,099,877)** | **(6,639,863)** |

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

Notes to the financial statements are included on pages 14 to 28.

## Statement of financial position as at 31 December 2013

| | Note | 31 December 2013 $ | *Restated** 31 December 2012 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 19(a) | 54,544 | 102,073 |
| Trade and other receivables | 5 | 443,282 | 684,519 |
| Other assets | 6 | 47,273 | 16,269 |
| **Total current assets** | | 545,099 | 802,861 |
| **Non-current assets** | | | |
| Plant and equipment | 7 | 117,938 | 445,930 |
| Deferred tax asset | 8 | - | 91,363 |
| **Total non-current assets** | | 117,938 | 537,293 |
| **Total assets** | | 663,037 | 1,340,154 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 1,411,472 | 2,393,014 |
| Loans and borrowings | 10 | 791,854 | 2,096,677 |
| Provisions | 11 | 79,856 | 144,550 |
| Unearned income | 12 | 2,790,754 | 3,266,935 |
| **Total current liabilities** | | 5,073,936 | 7,901,176 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 10 | 4,750,000 | - |
| Unearned income | 12 | - | - |
| **Total non-current liabilities** | | 4,750,000 | - |
| **Total liabilities** | | 9,823,936 | 7,901,176 |
| **Net assets/(deficiency)** | | (9,160,899) | (6,561,022) |
| **Equity** | | | |
| Issued capital | 13 | 12,125,000 | 11,625,000 |
| Accumulated losses | 14 | (21,285,899) | (18,186,022) |
| **Total equity/(deficiency)** | | (9,160,899) | (6,561,022) |

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

Notes to the financial statements are included on pages 14 to 28.

## Statement of changes in equity for the financial year ended 31 December 2013

| | Fully paid ordinary shares | Accumulated losses | Total Equity |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 31 December 2011*** | **9,925,000** | **(11,546,159)** | **(1,621,159)** |
| Loss for the year | - | (6,639,863) | (6,639,863) |
| **Total comprehensive income for the year** | **9,925,000** | **(18,186,022)** | **(8,261,022)** |
| Issue of equity shares | 1,700,000 | - | 1,700,000 |
| **Balance at 31 December 2012*** | **11,625,000** | **(18,186,022)** | **(6,561,022)** |
| **Balance at 31 December 2012*** | **11,625,000** | **(18,186,022)** | **(6,561,022)** |
| Loss for the year | - | (3,099,877) | (3,099,877) |
| **Total comprehensive income for the year** | **11,625,000** | **(21,285,899)** | **(9,660,899)** |
| Issue of equity shares | 500,000 | - | 500,000 |
| **Balance as at 31 December 2013** | **12,125,000** | **(21,285,899)** | **(9,160,899)** |

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

Notes to the financial statements are included on pages 14 to 28.

## Statement of cash flows
## for the financial year ended 31 December 2013

| | Note | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 13,073,546 | 12,895,189 |
| Payments to suppliers and employees | | (16,959,205) | (16,553,545) |
| Interest received | | 2,161 | 5,606 |
| Interest paid | | (51,762) | (78,016) |
| Income taxes paid | | - | - |
| **Net cash used in operating activities** | 19(b) | (3,935,260) | (3,730,766) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (57,456) | (77,685) |
| Proceeds from sale of property, plant and equipment | | - | 3,636 |
| **Net cash provided by / (used in) investing activities** | | (57,456) | (74,049) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 5,500,000 | 2,000,000 |
| Repayment of borrowings | | (1,500,000) | - |
| Proceeds from issue of equity shares | | - | 1,700,000 |
| Payments for finance lease liabilities | | (54,813) | (59,187) |
| **Net cash provided by financing activities** | | 3,945,187 | 3,640,813 |
| | | | |
| **Net decrease in cash and cash equivalents** | | (47,529) | (164,002) |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 102,073 | 266,075 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | 19(a) | 54,544 | 102,073 |

Notes to the financial statements are included on pages 14 to 28.

# Notes to the financial statements
# for the financial year ended 31 December 2013

## 1. General Information

Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") is a company limited by shares, incorporated and operating in Australia. The Company is a for-profit entity.

The Company's registered office is:

Ground Floor,
29-57 Christie Street,
St Leonards, NSW 2065

The Company's principal place of business is:

Gate 3,
Visy Park,
Royal Parade,
Carlton North, VIC 3054

## 2. Adoption of new and revised Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

## 3. Significant accounting policies

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The financial statements were authorised for issue by the Directors on 16 June 2014.

### Basis of preparation

The 2013 financial statements have been prepared for the year from 1 January 2013 to 31 December 2013.

## Notes to the financial statements for the financial year ended 31 December 2013

### 3. Significant accounting policies (continued)

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### Change in accounting policy

During the year, the Company changed the basis of measurement used to calculate revenue to be recorded from sponsorship. In the prior year, this revenue was recognised in accordance with the milestone payments noted within the individual agreements, resulting in some sponsorship for the FY13 season being recognised upon receipt of cash in 2012. The basis of measurement has been altered to a 'percentage of completion' revenue recognition policy whereby revenue is recognised in line with the provision of the underlying services stipulated within the contract.

The impact of this change is to decrease reported sponsorship revenues in the 2012 comparative period by $240k and also decrease the 2012 opening retained earnings by $514k with an increase in deferred revenue on the balance sheet ($754k). There was no impact to the cash flows of the Company.

### Going concern

At balance date, the Company had incurred a loss after tax of $3,099,877 (2012: $6,639,863). In addition, as at 31 December 2013 the Company's current liabilities exceeded current assets by $4,528,837 (2012: $7,098,315) and it had a deficiency of shareholders equity of $9,160,899 (2012: $6,561,022).

The Company has received a written undertaking from the Australian Rugby Union Limited ("ARU") that it will continue to provide financial support to allow the Company to meet its debts as and when they fall due. This undertaking is for a period of at least 12 months from the date these financial statements were approved. It is conditional upon the Company continuing to comply with all of its obligations under the Super Rugby Participation Deed, as well as its obligations under the Facility Agreement and the Co-operation Agreement with the ARU. The financial support ceases should a change in ownership of the Company occur.

Accordingly the directors believe it appropriate that the financial report is prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3(s) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

# Notes to the financial statements for the financial year ended 31 December 2013

## 3. Significant accounting policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### (a) Revenue recognition

Revenue, as detailed in Note 4, comprises revenue earned (net of returns and discounts) from Australian Rugby Union ("ARU") distributions, sponsorship, membership, match day and the sale of products or services to entities outside the Company.

(i) ARU distributions

ARU distributions are recognised as they become due and receivable to the Company.

(ii) Sponsorship

Sponsorship revenue is recognised throughout the duration of the Super Rugby home and away season.

(iii) Membership

Membership revenue is recognised throughout the duration of the Super Rugby home and away season.

(iv) Match day

Match day revenue is recognised at the conclusion of each Super Rugby home match.

(v) Sales revenue

Sales revenue is recognised as it is earned in accordance with the terms and conditions of the contract.

(vi) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (b) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value of the grant is credited to the carrying amount of the relevant asset and is recognised in the income statement over the expected useful life of the asset on a straight line basis as a reduced depreciation expense.

# Notes to the financial statements
## for the financial year ended 31 December 2013

### 3. Significant accounting policies (continued)

### (c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on-costs.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

### (d) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise.

### (e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

# Notes to the financial statements for the financial year ended 31 December 2013

## 3. Significant accounting policies (continued)

### (f) Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

### (g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## Notes to the financial statements
## for the financial year ended 31 December 2013

### 3. Significant accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash in banks.

**(i) Trade and other receivables**

Trade receivables which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

**(j) Financial assets**

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

**(k) Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

## Notes to the financial statements
## for the financial year ended 31 December 2013

### 3. Significant accounting policies (continued)

#### (l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (m) Intangible assets

Licences recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 3(f).

#### (n) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

#### (o) Loans and borrowings

The Company recognises loans and borrowings initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (p) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### (q) Unearned income

Income received in advance is recognised in line with the terms of specific contracts.

# Notes to the financial statements
# for the financial year ended 31 December 2013

## 3. Significant accounting policies (continued)

### (r) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (s) Critical accounting judgements and key sources of estimation uncertainty

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below or elsewhere in the financial statements:

Useful lives of plant and equipment

As described in the Note 3(k), the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial period, the directors determined that there should be no changes to the useful life of the plant and equipment.

### (t) Other contributed equity

During the year a shareholder forgave a loan to the Company totalling $500,000. This benefit has been recorded in equity in an account called "Other contributed equity" as it is a transaction with a former shareholder.

## Notes to the financial statements
## for the financial year ended 31 December 2013

### 4. Loss for the period

Loss for the period has been arrived at after crediting/charging the following items of income and expense:

| | | *Restated** |
|---|---|---|
| | **31 December 2013 $** | **31 December 2012 $** |
| **Revenue** | | |
| ARU distribution | 3,700,000 | 4,000,000 |
| Sponsorship revenue | 4,420,824 | 3,948,421 |
| Membership revenue | 2,312,973 | 2,628,594 |
| Match day revenue | 1,553,236 | 1,813,756 |
| Events revenue | 204,063 | 257,515 |
| Sales revenue | 42,958 | 76,648 |
| Interest revenue | 2,161 | 5,606 |
| Other revenue | 124,546 | 86,317 |
| | 12,360,761 | 12,816,857 |
| **Expenses** | | |
| Employee benefits expense | 8,293,138 | 10,209,859 |
| Operating lease expense | 210,000 | 210,000 |
| Net foreign exchange losses | 561 | 992 |
| Loss on sale of property, plant and equipment | 1,706 | - |
| Interest | 51,762 | 78,016 |
| Bank charges | 11,212 | 27,700 |
| Finance costs | 62,974 | 105,716 |
| Depreciation of non-current assets | 324,349 | 293,074 |
| Amortisation of equipment under finance lease | 59,383 | 73,232 |
| | 383,732 | 366,306 |

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

## Notes to the financial statements
## for the financial year ended 31 December 2013

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **5. Trade and other receivables** | | |
| Trade receivables | 371,604 | 480,666 |
| Other receivables | 71,678 | 203,853 |
| | 443,282 | 684,519 |
| **6. Other current assets** | | |
| Prepayments | 47,273 | 16,269 |
| **7. Property, plant and equipment** | | |
| Furniture & fittings - at cost | 96,902 | 96,601 |
| Less accumulated depreciation | (35,546) | (20,964) |
| | 61,356 | 75,637 |
| Computer equipment – at cost | 142,425 | 135,335 |
| Less accumulated depreciation | (120,608) | (86,226) |
| | 21,817 | 49,109 |
| Team equipment – at cost | 66,261 | 59,135 |
| Less accumulated depreciation | (31,496) | (16,876) |
| | 34,765 | 42,259 |
| Leasehold improvements – at cost | 706,197 | 665,574 |
| Less accumulated depreciation | (706,197) | (446,032) |
| | - | 219,542 |
| Equipment under finance lease – at cost | 219,696 | 219,696 |
| Less accumulated amortisation | (219,696) | (160,313) |
| | - | 59,383 |
| Total plant and equipment | 117,938 | 445,930 |

The following useful lives are used in the calculation of depreciation:

- Plant and equipment 3 to 7 years
- Leasehold improvements 3 years

## Notes to the financial statements
## for the financial year ended 31 December 2013

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **7. Property, plant and equipment (continued)** | | |
| ***Reconciliations*** | | |
| Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year. | | |
| *Furniture & fittings* | | |
| Opening carrying amount | 75,637 | 50,980 |
| Additions | 301 | 37,891 |
| Depreciation expense | (14,582) | (13,234) |
| Closing carrying amount | 61,356 | 75,637 |
| *Computer equipment* | | |
| Opening carrying amount | 49,109 | 71,796 |
| Additions | 7,090 | 21,366 |
| Disposals | - | (377) |
| Depreciation expense | (34,382) | (43,676) |
| Closing carrying amount | 21,817 | 49,109 |
| *Team equipment* | | |
| Opening carrying amount | 42,259 | 44,800 |
| Additions | 7,126 | 18,428 |
| Disposals | - | (8,979) |
| Depreciation expense | (14,620) | (11,990) |
| Closing carrying amount | 34,765 | 42,259 |
| *Leasehold improvements* | | |
| Opening carrying amount | 219,542 | 443,716 |
| Additions | 42,939 | - |
| Disposals | (1,716) | - |
| Depreciation expense | (260,765) | (224,174) |
| Closing carrying amount | - | 219,542 |
| *Equipment under finance lease* | | |
| Opening carrying amount | 59,383 | 132,615 |
| Amortisation expense | (59,383) | (73,232) |
| Closing carrying amount | - | 59,383 |

## Notes to the financial statements
## for the financial year ended 31 December 2013

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **7. Property, plant and equipment (continued)** | | |
| ***Total plant and equipment*** | | |
| Opening carrying amount | 445,930 | 743,907 |
| Additions | 57,456 | 77,685 |
| Disposals | (1,716) | (9,356) |
| Depreciation and amortisation expense | (383,732) | (366,306) |
| Closing carrying amount | 117,938 | 445,930 |

### 8. Income taxes

The Company has reassessed the previously recognised deferred tax asset and has concluded based on the current performance of the Company that it is not likely that future taxable profit will be available in the near term. Accordingly, the previously recognised deferred tax asset of $91,363 has been reversed through income tax expense.

| | | |
|---|---|---|
| **9. Trade and other payables** | | |
| **Current** | | |
| Trade payables | 758,632 | 624,283 |
| Other payables and accruals | 652,840 | 1,768,731 |
| | 1,411,472 | 2,393,014 |
| **10. Loans and borrowings** | | |
| **Current** | | |
| Finance lease liabilities | 41,854 | 96,677 |
| Secured bank loan | - | 1,500,000 |
| Related party loans (i) | 750,000 | 500,000 |
| | 791,854 | 2,096,677 |
| **Non-current** | | |
| Related party loans (i) | 4,750,000 | - |

(i) Refer to Note 17.

# Notes to the financial statements for the financial year ended 31 December 2013

## 17. Related parties

During the period, the Company purchased media programs and placements from a related party totalling $379,088 (2012: $228,635) at commercial rates. The balance outstanding as at 31 December 2013 totals $nil (2012: $nil).

During the period, the Company purchased goods and services totalling $389,614 (2012: $158,586) and sold goods and services totalling $346,723 (2012: $183,502) to a related party under a mutual objectives agreement. Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties. The balance payable to and receivable from the related party as at 31 December 2013 totals $84,697 (2012: $257,303) and $82,823 (2012: $277,667) respectively.

During the period, the Company entered an arrangement for an unsecured, interest-free loan payable to a related party. The balance of the loan payable to the related party as at 31 December 2013 amounts to $5,500,000 (2012: $nil).

During the period, a loan of $500,000, provided in 2012, was forgiven by a related party – refer to note 13.

During the period, a number of related parties purchased membership and corporate hospitality packages from the Company. The terms and conditions of these transactions with related parties were made on terms equivalent to those that prevail in an arm's length transaction.

| | 31 December 2013 $ | 31 December 2012 $ |
|---|---|---|
| **18. Remuneration of auditors** | | |
| Audit or review of the financial report | 34,700 | 35,000 |

The Company's auditor is KPMG.

## 19. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

| | 31 December 2013 $ | *Restated** 31 December 2012 $ |
|---|---|---|
| Cash and cash equivalents | 54,544 | 102,073 |

## Notes to the financial statements
## for the financial year ended 31 December 2013

| | | | |
|---|---|---|---|
| (b) | **Reconciliation of loss for the period to net cash flows from operating activities** | | |
| | Loss for the period | (3,099,877) | (6,639,863) |
| | Depreciation and amortisation | 383,732 | 366,306 |
| | Loss on sale of property, plant and equipment | 1,706 | 5,720 |
| | (Increase)/decrease in assets: | | |
| | Trade and other receivables | 241,237 | 364,766 |
| | Other assets | (31,004) | 80,449 |
| | Deferred tax asset | 91,363 | 1,770,085 |
| | Increase/(decrease) in liabilities: | | |
| | Trade and other payables | (981,542) | 838,631 |
| | Provisions | (64,694) | (7,073) |
| | Other liabilities | (476,181) | (509,787) |
| | Net cash used in operating activities | (3,935,260) | (3,730,766) |

* Refer to note 3 relating to the restatement of comparatives following a voluntary change in accounting policy.

### 20. Subsequent events

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**Australian Securities & Investments Commission**

Australian Securities & Investments Commission
029272348

**Form 388**
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

# Copy of financial statements and reports

**If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement**

## Company/scheme details

Company/scheme name
MELBOURNE REBELS RUGBY UNION LTD

ACN/ARSN/PIN/ABN
140 597 066

## Lodgement details

An image of this form will be available as part of the public register.

**Who should ASIC contact if there is a query about this form?**

ASIC registered agent number (if applicable)
KUNAL MEHTA

Firm/organisation
MELBOURNE REBELS RUGBY UNION LTD

Contact name/position description
COMPANY ACCOUNTANT

Telephone number (during business hours)
(03) 9221 0744

Email address (optional)
kunal.mehta@melbournerebels.com.au.

Postal address
PO Box 29

Suburb/City
PARKVILLE

State/Territory
VIC

Postcode
3052

## 1 Reason for lodgement of statement and reports

Tick appropriate box.

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)

See Guide for definition of Tier 2 public company limited by guarantee

- [ ] A Tier 2 public company limited by guarantee (L)
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)

See Guide for definition of large proprietary company

- [ ] A large proprietary company that is not a disclosing entity (H)

See Guide for definition of small proprietary company

- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

18 MAY

**Dates on which financial year begins and ends**

Financial year begins
01/01/14 [D D] [M M] [Y Y]

to

Financial year ends
31/12/14 [D D] [M M] [Y Y]

## 2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

## 3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

- [x] Audited - complete B only
- [ ] Reviewed - complete A and B
- [ ] No

If no, is there a class or other order exemption current for audit/review relief?

- [ ] Yes
- [ ] No

**A. Reviewed**

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or Institute of Public Accountants and holds a practising certificate issued by one of those bodies?

- [ ] Yes
- [ ] No

**B. Audited or Reviewed**

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

- [ ] Yes
- [x] No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

- [ ] Yes
- [x] No

## 4 Details of current auditor or auditors

**Notes:**

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

KPMG

ACN/ABN

58 883 627 806

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia)

Date of appointment

[D D] / [M M] / [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

## 5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

**OR**

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

### Signature

See Guide for details of signatory.

I certify that the attached documents marked (     ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

ANTHONY FITZGERALD

Signature

Capacity

☐ Director

☑ Company secretary

Date signed

1 5 / 0 5 / 1 5
[D D] [M M] [Y Y]

### Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

**For more information**

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

# Melbourne Rebels Rugby Union Limited

**ACN 140 597 066**

**Annual report for the financial year ended 31 December 2014**

## Annual financial report for the year ended 31 December 2014

## Directors' report

The directors of Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") submit herewith the annual financial report of the Company for the financial year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

## Information about the directors and senior management

The names and particulars of the directors of the Company during or since the end of the financial year are:

| Name | Particulars |
|---|---|
| Bob Dalziel | Appointed to the Board on 15 January 2010 and appointed as Deputy Chairman on 12 November 2010. Mr Dalziel is also Chairman of Dacland Management Pty Ltd and The Fred Hollows Foundation and director of Wine Perserva Pty Ltd. |
| Lyndsey Cattermole | Appointed to the Board on 19 February 2010. Mrs Cattermole is also a director of PaperlinX Limited, Treasury Wines Estates Limited, Tatts Group Limited, Victorian Major Events Company Limited, Melbourne Theatre Company, JadeLynx Pty Ltd and MPH Agriculture Pty Ltd. |
| Gary Gray | Appointed to the Board on 21 January 2010 and Chairman. Mr Gray is Managing Director of Sporting Management Concepts Pty Ltd and is a Life Member of the Victorian Rugby Union. |
| Rod Lamplugh | Appointed to the Board on 28 April 2011. Mr Lamplugh is a commercial lawyer representing companies in the media sector, currently a director of several Aegis Media companies in Australia and New Zealand, is a director of the Harold Mitchell Foundation and is Deputy Chairman of St Bernard's College in Essendon. |
| Tim North | Appointed to the Board on 30 April 2010. Mr North is a member of Senior Counsel, an Associate Member of the Institute of Arbitrators and Mediators and an Affiliate of the Securities Institute of Australia. Mr North is also President of the Victorian Rugby Union. |
| Jonathan Ling | Appointed to the board and appointed Chairman on 4 September 2013. Jonathan Peter Ling is the current Chief Executive and Managing Director of GUD Holdings Limited, comprising a number of consumer and industrial products companies in Australia and New Zealand. Jonathan is best known for his leadership at Fletcher Building Limited as Chief Executive Officer and Managing Director from 2006 to 2012. He is also a Non-executive Director of Pact Group Holdings Ltd. |
| Stirling Mortlock | Appointed to the board 13 November 2013. With 80 Wallaby Test caps, including 29 as the Captain, Stirling's knowledge of the game is unprecedented amongst his peers, having recently excelled as a commentator for Wallaby matches on Channel 10 in 2013. Stirling's standing within the Australian sporting community was formally recognised in 2012 when he was made a Member of the Order of Australia in the Australia Day Honours List, and he has long expressed his desire to continue to grow the game in Victoria. |

| | |
|---|---|
| Rob Clarke | Chief Executive Officer. Appointed to the board on 4 September 2013. Rob has spent over 25 years in senior management positions across a variety of industries including advertising, professional sports administration, financial services, digital IT and import distribution. Rob headed up Bcom3 in Australia/NZ which owned Leo Burnett, Starcom, DMB&B and a number of other communications and media companies, employing over 500 staff across 18 companies with combined revenue of $90m. During this time Rob was also Chairman of the Advertising Federation of Australia (AFA). Clarke is a former CEO of the ACT Brumbies and COO of the Australian Rugby Union. Rob resigned as the CEO of Melbourne Rebels Rugby Union on 13th November 2014. |
| Peter Leahy | Chief Executive Officer. Peter was appointed as Chief Executive Officer on 3rd November 2014. |
| Angus McKay | Appointed to the board 11 December 2013. Angus McKay is the Director of Pacific National Rail, where he is responsible for driving the overall performance of Intermodal and Bulk Rail freight businesses. With a diverse career spanning more than 23 years and experience in both financial and commercial roles, McKay was appointed to the position in May 2012, having joined Asciano in December 2010 as Chief Financial Officer. Prior to joining Asciano, McKay was Chief Financial Officer at Foster's Group Limited since 2008. He was with the Foster's Limited Group for over six years where he held various senior finance positions in Australia. Prior to joining Foster's, McKay was the Chief Financial Officer for New Zealand Milk Products and before that held a range of senior finance positions within Diageo. Angus will also chair the Melbourne Rebels Audit and Risk committee. |

**Company secretary**

Todd Day, Chartered Accountant, held the position of Company Secretary of the Company at the end of the financial year. Mr Day was appointed as Company Secretary on 4 September 2013 and is the CFO and joint Company Secretary of Australian Rugby Union. Todd resigned as Company Secretary on 11th February 2015.

Anthony Fitzgerald, Certified Practicing Accountant, was appointed as the Company Secretary of the Company on 11th February 2015. Anthony is currently the Chief Financial Officer of the Company

**Principal activities**

The principal activity of the Company during the financial year consisted of the Company competing in the Super Rugby Union Competition.

**Review of operations**

The net loss after tax of the Company for the financial year was $2,645,799 (2013: $3,099,877).

**Changes in state of affairs**

There was no significant change in the state of affairs of the Company during the financial year.

**Subsequent events**

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**Future developments**

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

**Environmental regulations**

The Company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Dividends**

In respect of the financial year ended 31 December 2014, no dividends were declared or paid.

**Indemnification of officers and auditors**

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law (as noted above), indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

**Directors meetings**

The following table sets out the number of directors' meetings, including meetings of committees of directors, held during the financial year and the number of meetings attended by each director while they were a director or a committee member. During the year, 12 Board meetings were held.

| | Held | Board of Directors Attended |
|---|---|---|
| L Cattermole | 11 | 10 |
| B Dalziel | 11 | 9 |
| G Gray | 11 | 10 |
| R Lamplugh | 11 | 8 |
| T North | 11 | 10 |
| R Clarke | 10 | 10 |
| S Mortlock | 11 | 8 |
| J Ling | 11 | 11 |
| A McKay | 11 | 10 |

## Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the financial report.

The directors' report is signed in accordance with a resolution of directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors

Jonathan Ling
Chairman
Melbourne, 30/4/15

KPMG

***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Melbourne Rebels Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trent Duvall

*Partner*

Sydney

30 April 2015

KPMG

## Independent auditor's report to the members of Melbourne Rebels Rugby Union Limited

We have audited the accompanying financial report of Melbourne Rebels Rugby Union Limited (the Company), which comprises the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

## Independent auditor's report to the members of Melbourne Rebels Rugby Union Limited (continued)

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

*Auditor's opinion*

In our opinion the financial report of Melbourne Rebels Rugby Union Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

KPMG

Trent Duvall
*Partner*

Sydney

30 April 2015

**Directors' declaration**

In the opinion of the directors of Melbourne Rebels Rugby Union Limited ("the Company"):

(a) the financial statements and notes that are set out on pages 11 to 29 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Jonathan Ling
Chairman
Melbourne, 30/4/15

## Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2014

| | Note | 31 December 2014 $ | 31 December 2013* $ |
|---|---|---|---|
| **Revenue** | 4 | 10,618,387 | 12,358,600 |
| **Operating expenses** | | | |
| Finance and administration expenses | 4 | (4,929,679) | (4,896,380) |
| Rugby operations expenses | 4 | (5,738,626) | (6,226,602) |
| Commercial expenses | | (2,590,322) | (4,182,758) |
| Other expenses | | - | (561) |
| Operating Loss | | (2,640,240) | (2,947,701) |
| Finance income | | 11,473 | 2,161 |
| Finance costs | | (17,032) | (62,974) |
| Net finance costs | | (5,559) | (60,813) |
| Loss before tax | | (2,645,799) | (3,008,514) |
| Income tax expense | 8 | - | (91,363) |
| **Loss for the year** | | **(2,645,799)** | **(3,099,877)** |
| **Other comprehensive income for the year (net of tax)** | | - | - |
| **Total comprehensive loss for the year** | | (2,645,799) | (3,099,877) |

* The disclosure of 2013 revenue and expenses has been reclassified. Refer to Note 4

Notes to the financial statements are included on pages 15 to 29.

## Statement of financial position
## as at 31 December 2014

| | Note | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 19(a) | 163,665 | 54,544 |
| Trade and other receivables | 5 | 327,164 | 443,282 |
| Other assets | 6 | 86,921 | 47,273 |
| **Total current assets** | | 577,750 | 545,099 |
| **Non-current assets** | | | |
| Plant and equipment | 7 | 75,712 | 117,938 |
| **Total non-current assets** | | 75,712 | 117,938 |
| **Total assets** | | 653,462 | 663,037 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 1,394,713 | 1,411,472 |
| Loans and borrowings | 10 | 46,915 | 791,854 |
| Provisions | 11 | 17,709 | 79,856 |
| Unearned income | 12 | 2,250,823 | 2,790,754 |
| **Total current liabilities** | | 3,710,160 | 5,073,936 |
| **Non-current liabilities** | | | |
| Loans and borrowings | 10 | 8,750,000 | 4,750,000 |
| **Total non-current liabilities** | | 8,750,000 | 4,750,000 |
| **Total liabilities** | | 12,460,160 | 9,823,936 |
| **Net assets/(deficiency)** | | (11,806,698) | (9,160,899) |
| **Equity** | | | |
| Issued capital | 13 | 12,125,000 | 12,125,000 |
| Accumulated losses | 14 | (23,931,698) | (21,285,899) |
| **Total equity/(deficiency)** | | (11,806,698) | (9,160,899) |

Notes to the financial statements are included on pages 15 to 29.

## Statement of changes in equity
## for the financial year ended 31 December 2014

| | Fully paid ordinary shares | Accumulated losses | Total Equity |
|---|---|---|---|
| | $ | $ | $ |
| **Balance at 31 December 2012** | **11,625,000** | **(18,186,022)** | **(6,561,022)** |
| Loss for the year | - | (3,099,877) | (3,099,877) |
| **Total comprehensive income for the year** | **11,625,000** | **(21,285,899)** | **(9,660,899)** |
| Issue of equity shares | 500,000 | - | 500,000 |
| **Balance as at 31 December 2013** | **12,125,000** | **(21,285,899)** | **(9,160,899)** |
| Loss for the year | - | (2,645,799) | 2,645,799 |
| **Total comprehensive income for the year** | **12,125,000** | **(23,931,698)** | **(11,806,698)** |

Notes to the financial statements are included on pages 15 to 29.

## Statement of cash flows
## for the financial year ended 31 December 2014

| | Note | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 12,784,930 | 13,073,546 |
| Payments to suppliers and employees | | (15,912,389) | (16,959,205) |
| Interest received | | 11,473 | 2,161 |
| Interest paid | | (1,773) | (51,762) |
| **Net cash used in operating activities** | 19(b) | (3,117,759) | (3,935,260) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (57,456) |
| **Net cash provided by / (used in) investing activities** | | - | (57,456) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 3,250,000 | 5,500,000 |
| Repayment of borrowings | | - | (1,500,000) |
| Payments for finance lease liabilities | | (23,120) | (54,813) |
| **Net cash provided by financing activities** | | 3,226,880 | 3,945,187 |
| | | | |
| **Net increase in cash and cash equivalents** | | 109,121 | (47,529) |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 54,544 | 102,073 |
| | | | |
| **Cash and cash equivalents at the end of the financial year** | 19(a) | 163,665 | 54,544 |

Notes to the financial statements are included on pages 15 to 29.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 1. General Information

Melbourne Rebels Rugby Union Limited ("the Company" or "the Melbourne Rebels") is a company limited by shares, incorporated and operating in Australia. The Company is a for-profit entity.

The Company's registered office is:

Ground Floor,
29-57 Christie Street,
St Leonards, NSW 2065

The Company's principal place of business is:

Gate 3,
Visy Park,
Royal Parade,
Carlton North, VIC 3054

### 2. Adoption of new and revised Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

### 3. Significant accounting policies

**Statement of compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Regime, and comply with other requirements of the law.

The financial statements were authorised for issue by the Directors on 27 April 2015.

**Basis of preparation**

The 2014 financial statements have been prepared for the year from 1 January 2014 to 31 December 2014. The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

## Notes to the financial statements
## for the financial year ended 31 December 2014

**3. Significant accounting policies (continued)**

**Change in accounting policy**

No changes to accounting policy were approved during the year.

**Going concern**

At balance date, the Company had incurred a loss after tax of $2,645,799 (2013: $3,099,877). In addition, as at 31 December 2014 the Company's current liabilities exceeded current assets by $3,132,410 (2013: $4,528,837) and it had a deficiency of shareholders equity of $11,806,698 (2013: $9,160,899).

The Company has received a written undertaking from the Australian Rugby Union Limited ("ARU") that it will continue to provide financial support to allow the Company to meet its debts as and when they fall due. This undertaking is for a period of at least 12 months from the date these financial statements were approved. It is conditional upon the Company continuing to comply with all of its obligations under the Super Rugby Participation Deed, as well as its obligations under the Facility Agreement and the Co-operation Agreement with the ARU. The financial support ceases should a change in ownership of the Company occur. The support is capped at $2,350,000 up to 30/4/2016 which is greater than the Director's best estimate of the cash requirements of the company for a period up to April 2016

Accordingly the directors believe it appropriate that the financial report is prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

**Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3(s) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

**(a) Revenue recognition**

Revenue, as detailed in Note 4, comprises revenue earned (net of returns and discounts) from Australian Rugby Union ("ARU") distributions, sponsorship, membership, match day and the sale of products or services to entities outside the Company.

(i) ARU distributions

ARU distributions are recognised as they become due and receivable to the Company.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 3. Significant accounting policies (continued)

### (a) Revenue recognition (continued)

(ii) Sponsorship

Sponsorship revenue is recognised throughout the duration of the Super Rugby home and away season, based on the terms of the agreement

(iii) Membership

Membership revenue is recognised throughout the duration of the Super Rugby home and away season.

(iv) Match day

Match day revenue is recognised at the conclusion of each Super Rugby home match.

(v) Sales revenue

Sales revenue is recognised as it is earned in accordance with the terms and conditions of the contract.

(vi) Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (b) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value of the grant is credited to the carrying amount of the relevant asset and is recognised in the income statement over the expected useful life of the asset on a straight line basis as a reduced depreciation expense.

### (c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement plus related on-costs.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

## Notes to the financial statements
## for the financial year ended 31 December 2014

**3. Significant accounting policies (continued)**

**(c) Employee benefits (continued)**

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

**(d) Foreign currency**

Foreign currency transactions

All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise.

**(e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(f) Impairment of tangible and intangible assets**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 3. Significant accounting policies (continued)

#### (f) Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

#### (g) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 3. Significant accounting policies (continued)

### (g) Income tax (continued)

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks.

### (i) Trade and other receivables

Trade receivables which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

### (j) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

### (k) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 3. Significant accounting policies (continued)

#### (l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (m) Intangible assets

Licences recognised by the Company have an indefinite useful life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Note 3(f).

#### (n) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

#### (o) Loans and borrowings

The Company recognises loans and borrowings initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### (p) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### (q) Unearned income

Income received in advance is recognised in line with the terms of specific contracts.

## Notes to the financial statements for the financial year ended 31 December 2014

### 3. Significant accounting policies (continued)

#### (r) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (s) Critical accounting judgements and key sources of estimation uncertainty

***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below or elsewhere in the financial statements:

Useful lives of plant and equipment

As described in the Note 3(k), the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. During the financial period, the directors determined that there should be no changes to the useful life of the plant and equipment.

## Notes to the financial statements
## for the financial year ended 31 December 2014

### 4. Loss for the period

Loss for the period has been arrived at after crediting/charging the following items of income and expense:

| | 31 December 2014 $ | 31 December 2013 * $ |
|---|---|---|
| **Revenue** | | |
| ARU distribution | 4,000,000 | 3,700,000 |
| Sponsorship revenue | 3,216,321 | 4,420,824 |
| Membership revenue | 2,038,077 | 2,312,973 |
| Match day revenue | 862,808 | 1,553,236 |
| Events revenue | 165,080 | 204,063 |
| Sales revenue | 44,423 | 42,958 |
| Other revenue | 291,678 | 124,546 |
| | 10,618,387 | 12,358,600 |
| | | |
| **Expenses** | | |
| Employee benefits expense | 8,343,790 | 8,293,138 |
| Operating lease expense | - | 210,000 |
| Net foreign exchange losses | 2,677 | 561 |
| Loss on sale of property, plant and equipment | - | 1,706 |
| | | |
| Interest | 1,773 | 51,762 |
| Bank charges | 15,259 | 11,212 |
| Finance costs | 17,032 | 62,974 |
| | | |
| Depreciation of non-current assets | 42,226 | 324,349 |
| Amortisation of equipment under finance lease | - | 59,383 |
| | 42,226 | 383,732 |

* In 2014 the classification of salary and on costs of the "on field" staff (coaches, assistant coaches) were moved from Rugby Operations and included in the Finance and Administration expense line. To provide accurate comparative numbers we have decreased the 2013 expenses for Rugby Operations to $6,226,602 ($7,937,871 - $1,711,269) and increased the expenses for Finance and Administration to $4,896,380 ($3,185,111 + $1,711,269). There has been no change to the value of the total expenses in 2013.

## Notes to the financial statements
## for the financial year ended 31 December 2014

| | | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| **5.** | **Trade and other receivables** | | |
| | Trade receivables | 307,316 | 371,604 |
| | Other receivables | 19,848 | 71,678 |
| | | 327,164 | 443,282 |
| **6.** | **Other current assets** | | |
| | Prepayments | 86,921 | 47,273 |
| **7.** | **Property, plant and equipment** | | |
| | Furniture & fittings - at cost | 96,902 | 96,902 |
| | Less accumulated depreciation | (49,733) | (35,546) |
| | | 47,169 | 61,356 |
| | Computer equipment – at cost | 142,425 | 142,425 |
| | Less accumulated depreciation | (135,840) | (120,608) |
| | | 6,585 | 21,817 |
| | Team equipment – at cost | 66,261 | 66,261 |
| | Less accumulated depreciation | (44,303) | (31,496) |
| | | 21,958 | 34,765 |
| | Leasehold improvements – at cost | 706,197 | 706,197 |
| | Less accumulated depreciation | (706,197) | (706,197) |
| | | - | - |
| | Equipment under finance lease – at cost | 219,696 | 219,696 |
| | Less accumulated amortisation | (219,696) | (219,696) |
| | | - | - |
| | Total plant and equipment | 75,712 | 117,938 |

The following useful lives are used in the calculation of depreciation:

- Plant and equipment 3 to 7 years
- Leasehold improvements 3 years

## Notes to the financial statements
## for the financial year ended 31 December 2014

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **7. Property, plant and equipment (continued)** | | |
| ***Reconciliations*** | | |
| Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year. | | |
| *Furniture & fittings* | | |
| Opening carrying amount | 61,356 | 75,637 |
| Additions | - | 301 |
| Depreciation expense | (14,187) | (14,582) |
| Closing carrying amount | 47,169 | 61,356 |
| *Computer equipment* | | |
| Opening carrying amount | 21,817 | 49,109 |
| Additions | - | 7,090 |
| Disposals | - | - |
| Depreciation expense | (15,232) | (34,382) |
| Closing carrying amount | 6,585 | 21,817 |
| *Team equipment* | | |
| Opening carrying amount | 34,765 | 42,259 |
| Additions | - | 7,126 |
| Disposals | - | - |
| Depreciation expense | (12,807) | (14,620) |
| Closing carrying amount | 21,958 | 34,765 |
| *Leasehold improvements* | | |
| Opening carrying amount | - | 219,542 |
| Additions | - | 42,939 |
| Disposals | - | (1,716) |
| Depreciation expense | - | (260,765) |
| Closing carrying amount | - | - |
| *Equipment under finance lease* | | |
| Opening carrying amount | - | 59,383 |
| Amortisation expense | - | (59383) |
| Closing carrying amount | - | - |

## Notes to the financial statements
## for the financial year ended 31 December 2014

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **7. Property, plant and equipment (continued)** | | |
| ***Total plant and equipment*** | | |
| Opening carrying amount | 117,938 | 445,930 |
| Additions | - | 57,456 |
| Disposals | - | (1,716) |
| Depreciation and amortisation expense | (42,226) | (383,732) |
| Closing carrying amount | 75,712 | 117,938 |

**8. Income Tax Expense**

For the year ended 31 December 2014, the Company has generated a taxable loss (2013: taxable loss). The Company has assessed and concluded based on its current performance that it is not likely that future taxable profit will be available in the near term against which to offset these losses. As such, a deferred tax asset has not been recognized for carried forward tax losses or other temporary differences.

| | | |
|---|---|---|
| **9. Trade and other payables** | | |
| **Current** | | |
| Trade payables | 1,011,436 | 758,632 |
| Other payables and accruals | 383,277 | 652,840 |
| | 1,394,713 | 1,411,472 |
| **10. Loans and borrowings** | | |
| **Current** | | |
| Finance lease liabilities | 18,734 | 41,854 |
| Secured bank loan | - | - |
| Related party loans (i) | 28,181 | 750,0000 |
| | 46,915 | 41,854 |
| **Non-current** | | |
| Related party loans (i) | 8,750,000 | 4,750,000 |

(i) Refer to Note 17.

## Notes to the financial statements
## for the financial year ended 31 December 2014

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **11. Provisions** | | |
| **Current** | | |
| Employee benefits | 17,709 | 79,856 |
| **12. Unearned income** | | |
| **Current** | | |
| Membership, sponsorship and corporate hospitality income received in advance | 2,250,823 | 2,790,754 |
| | 2,250,823 | 2,790,754 |

**13. Issued capital**

| | 2014 No | 2014 $ | 2013 No | 2013 $ |
|---|---|---|---|---|
| Balance at beginning of the year | 12,125,000 | 12,125,000 | 11,625,000 | 11,625,000 |
| Issue of fully paid ordinary shares | - | - | 500,000 | 500,000 |
| Balance at end of the year | 12,125,000 | 12,125,000 | 12,125,000 | 12,125,000 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **14. Accumulated losses** | | |
| Balance at beginning of the year | (21,285,899) | (18,186,022) |
| Loss for the year | (2,645,799) | (3,099,877) |
| Balance at end of the year | (23,931,698) | (21,285,899) |

## Notes to the financial statements for the financial year ended 31 December 2014

### 15. Dividends

No dividends were declared or paid during the financial period.

The adjusted franking account balance is nil.

| 16. Commitments for expenditure | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| *Finance lease commitments* | | |
| Not later than 1 year | 18,734 | 23,120 |
| Later than 1 year and not longer than 5 years | - | 18,734 |
| Balance at end of the period | 18,734 | 41,854 |

*Player payments*

Due to the contract terms varying considerably amongst players, it is not practical to reliably measure the future commitments under player contracts.

### 17. Related parties

During the period, the Company entered an arrangement for an unsecured, interest-free loan payable to a related party. The balance of the loan payable to the related party as at 31 December 2014 amounts to $8,750,000 (2013: $5,500,000).

During the period, the Company purchased services from Victorian Rugby Union to the value of $97,353 (2013 $122,889.) The Company sold goods and services to that related party for $150,183 (2013 $58,718) under a mutual objectives agreement. Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties. The balance payable to and receivable from the related party as at 31 December 2014 totals $101,808 (2013: $4,455) and $213,162 (2013: $62,978) respectively

During the period, the Company provided services to the related ARU to the value of $5,986,404 (2013: $3,700,000). The Company purchased good and services from the ARU for $688,748 (2013: $346,723) under a mutual objectives agreement. Transactions between the related parties are on normal commercial terms and conditions no more favourable than those available to other parties. The balance payable to and receivable from the related party as at 31 December 2014 totals $310,824 (2013: $183,818) and $24,902 (2013: $1,106) respectively.

During the period, a number of related parties purchased membership and corporate hospitality packages from the Company. The terms and conditions of these transactions with related parties were made on terms equivalent to those that prevail in an arm's length transaction.

## Notes to the financial statements
## for the financial year ended 31 December 2014

| | | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| **18.** | **Remuneration of auditors** | 35,750 | 34,700 |

Audit of the financial report

The Company's auditor is KPMG.

**19. Notes to the cash flow statement**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in bank. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

| | | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| | Cash and cash equivalents | 163,665 | 54,544 |
| **(b)** | **Reconciliation of loss for the period to net cash flows from operating activities** | | |
| | Loss for the period | (2,645,799) | (3,099,877) |
| | Depreciation and amortisation | 42,226 | 383,732 |
| | Loss on sale of property, plant and equipment | - | 1,706 |
| | (Increase)/decrease in assets: | | |
| | Trade and other receivables | 116,118 | 241,237 |
| | Other assets | (39,648) | (31,004) |
| | Deferred tax asset | - | 91,363 |
| | Increase/(decrease) in liabilities: | | |
| | Trade and other payables | (16,759) | (981,542) |
| | Provisions | (62,147) | (64,694) |
| | Unearned Income | (511,750) | (476,181) |
| | Net cash used in operating activities | (3,117,759) | (3,935,260) |