

# **NEW ZEALAND RUGBY UNION**

Financial Statements  
for the year ended 31 December 2020

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# INCOME STATEMENT

for the year ended 31 December 2020

	NOTE	GROUP	
		2020 \$000	2019 \$000
<b>Income</b>			
Broadcast rights		51,789	57,454
Sponsorship and licensing		59,347	72,906
Matchday		10,926	16,352
Other income	A1	14,351	27,864
Interest income	A1	828	2,522
Managed funds fair value gains	A1	1,110	1,053
Foreign exchange gains		-	8,987
<b>Total income</b>	A1	<b>138,351</b>	<b>187,138</b>
<b>Expenditure</b>			
Game development		28,345	33,323
Teams in Black		39,187	54,169
Competitions		71,378	92,343
Administration		12,220	14,051
Interest expense		102	448
Foreign exchange losses		5,271	-
Equity accounted loss of associates and joint ventures	D2	584	183
<b>Total expenditure</b>	A2	<b>157,087</b>	<b>194,517</b>
<b>Operating loss before impairment and tax</b>		<b>(18,736)</b>	<b>(7,379)</b>
Impairment of available for sale equity instruments	B11	15,893	-
Income tax	A3	-	-
<b>Net loss after tax</b>		<b>(34,629)</b>	<b>(7,379)</b>
<b>Net loss after tax attributable to:</b>			
Stakeholders of the parent		(34,629)	(7,379)
		<b>(34,629)</b>	<b>(7,379)</b>

# COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2020

	NOTE	GROUP	
		2020 \$000	2019 \$000
<b>Net loss after tax</b>		<b>(34,629)</b>	<b>(7,379)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Net (loss)/gain on cash flow hedges	B2	(4,237)	(5,759)
Net (loss)/gain on equity investments	B4	-	(3,924)
Reclassification of losses on equity instruments to profit or loss	B4	3,924	-
Exchange differences arising from translation of foreign operations	B3	45	(41)
<b>Total comprehensive income, net of tax</b>		<b>(34,897)</b>	<b>(17,103)</b>
<b>Total comprehensive income attributable to:</b>			
Stakeholders of the parent		(34,897)	(17,103)
		<b>(34,897)</b>	<b>(17,103)</b>

# BALANCE SHEET

as at 31 December 2020

	NOTE	GROUP	
		2020 \$000	2019 \$000
<b>Current assets</b>			
Cash and cash equivalents	B5	32,391	28,160
Term investments	B6	20,000	43,691
Trade and other receivables	B7	66,272	54,080
Prepayments		2,901	3,014
Loans and advances	B8	380	284
Financial instruments	C1	1,873	6,748
<b>Total current assets</b>		<b>123,817</b>	<b>135,977</b>
<b>Non-current assets</b>			
Loans and advances	B8	1,146	1,402
Other Investments	B11	26,381	36,482
Property, plant and equipment	E1	1,480	1,905
Intangible assets	E2	6,249	7,934
Investment in other entities	D2	7,251	4,232
Financial instruments	C1	2,107	2,883
<b>Total non-current assets</b>		<b>44,614</b>	<b>54,838</b>
<b>Total assets</b>		<b>168,431</b>	<b>190,815</b>
<b>Current liabilities</b>			
Trade and other payables	B9	17,318	12,855
Income in advance	B10	73,818	48,906
Benevolent and welfare fund	E3	1,795	2,312
Provision for medical costs	E3	797	676
Player payment variation account	E3	3,936	2,276
Financial instruments	C1	14	949
<b>Total current liabilities</b>		<b>97,678</b>	<b>67,974</b>
<b>Non-current liabilities</b>			
Provision for medical costs	E3	3,406	3,572
Player payment variation account	E3	-	12,713
Income in advance	B10	15,523	19,403
Financial instruments	C1	-	432
<b>Total non-current liabilities</b>		<b>18,929</b>	<b>36,120</b>
<b>Total liabilities</b>		<b>116,607</b>	<b>104,094</b>
<b>Net assets</b>		<b>51,824</b>	<b>86,721</b>
<b>Equity</b>			
Cash flow hedge reserve	B2	3,715	7,952
Foreign currency translation reserve	B3	(1)	(46)
Available for sale revaluation reserve	B4	-	(3,924)
Retained earnings	B1	48,110	82,739
<b>Total equity</b>		<b>51,824</b>	<b>86,721</b>

For and on behalf of the Board who authorised the issue of the financial statements on 26 March 2021.



**BRENT IMPEY**, Chair



**SHAUN NIXON**, Chair - Audit, Risk, People and Capability Committee

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	NOTE	GROUP					TOTAL EQUITY \$000
		CASH FLOW HEDGE RESERVE \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	AVAILABLE FOR SALE REVALUATION RESERVE \$000	RETAINED EARNINGS \$000	ATTRIBUTABLE TO NON- CONTROLLING INTERESTS \$000	
<b>Balance as at 1 January 2019</b>		13,711	(5)	-	90,118	-	103,824
Net loss for the 2019 year	B1	-	-	-	(7,379)	-	(7,379)
<b>Other comprehensive income</b>							
Movement in cash flow hedges	B2	(5,759)	-	-	-	-	(5,759)
Net (losses)/gains on equity investments	B4	-	-	(3,924)	-	-	(3,924)
Exchange differences from translation of foreign operations	B3	-	(41)	-	-	-	(41)
<b>Total comprehensive income, net of tax</b>		<b>(5,759)</b>	<b>(41)</b>	<b>(3,924)</b>	<b>(7,379)</b>	<b>-</b>	<b>(17,103)</b>
<b>Balance as at 31 December 2019</b>		<b>7,952</b>	<b>(46)</b>	<b>(3,924)</b>	<b>82,739</b>	<b>-</b>	<b>86,721</b>
Net loss for the 2020 year	B1	-	-	-	(34,629)	-	(34,629)
<b>Other comprehensive income</b>							
Movement in cash flow hedges	B2	(4,237)	-	-	-	-	(4,237)
Net (losses)/gains on equity investments	B4	-	-	3,924	-	-	3,924
Exchange differences from translation of foreign operations	B3	-	45	-	-	-	45
<b>Total comprehensive income, net of tax</b>		<b>(4,237)</b>	<b>45</b>	<b>3,924</b>	<b>(34,629)</b>	<b>-</b>	<b>(34,897)</b>
<b>Balance as at 31 December 2020</b>		<b>3,715</b>	<b>(1)</b>	<b>-</b>	<b>48,110</b>	<b>-</b>	<b>51,824</b>

## CASH FLOW STATEMENT

for the year ended 31 December 2020

	NOTE	GROUP	
		2020 \$000	2019 \$000
<b>Operating activities</b>			
Receipts from broadcasting, sponsorship and licensing, and matchday		119,350	161,177
Interest income		1,361	3,572
Other income		14,351	27,864
Payments to suppliers and employees		(150,073)	(186,971)
<b>Operating cash flows</b>	B5	<b>(15,011)</b>	<b>5,642</b>
<b>Investing activities</b>			
Maturity/(purchase) of term investments		23,691	26,809
Maturity/(purchase) of managed funds		-	(20,000)
Investment in associates		(3,558)	(1,326)
Repayments/(new loans) of loans and advances		161	(800)
Purchase of property, plant and equipment		(251)	(702)
Purchase of intangible assets		(176)	(1,250)
<b>Investing cash flows</b>		<b>19,867</b>	<b>2,731</b>
<b>Net increase in cash held</b>		<b>4,856</b>	<b>8,374</b>
Effect of exchange rate change on foreign currency balances		(625)	456
Cash and cash equivalents at start of the year		28,160	19,330
<b>Cash and cash equivalents at end of the year</b>		<b>32,391</b>	<b>28,160</b>

## ABOUT THIS REPORT

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

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

New Zealand Rugby Union Incorporated (New Zealand Rugby) is an incorporated society registered in New Zealand under the Incorporated Societies Act 1908. Its principal activity is to promote and administer the sport of rugby union in New Zealand. The registered office of New Zealand Rugby is Level 4, 100 Molesworth Street, Thorndon, Wellington, New Zealand.

These financial statements have been prepared:

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

### KEY JUDGEMENTS AND ESTIMATES

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

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

Note E3: Provision for medical costs Page 21

### OTHER ACCOUNTING POLICIES

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

#### Basis of consolidation

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

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

#### Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rates at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the rate prevailing at balance date 31 December 2020.

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

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

#### Good and services tax

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

#### Standards issued not yet effective

There are no standards that are issued, not yet effective, that will have a material impact on New Zealand Rugby's financial statements, however PBE FRS 48 Service Performance Reporting will require additional disclosures. All standards will be applied when they are effective.

- (a) PBE IPSAS 40 PBE Combinations (effective for periods beginning on or after 1 January 2021)  
The new standard, when applied, supersedes PBE IFRS 3. PBE IPSAS 40 has a broader scope than PBE IFRS 3 since it establishes requirements for accounting for both acquisitions and amalgamations.
- (b) PBE FRS 48 Service Performance Reporting (effective for periods beginning on or after 1 January 2022)  
This new standard introduces high-level requirements for Tier 1 and Tier 2 PBEs relating to service performance information. All PBEs must provide the reason for the entity's existence, what the entity aims to achieve over the medium to long term, how it will go about achieving this, and what the entity has done in order to achieve its broader aims and objectives.
- (c) PBE IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2022)  
This standard was issued as an interim standard by the NZASB to address concerns relating to mixed groups and will be superseded by PBE IPSAS 41.
- (d) PBE IPSAS 41 Financial Instruments (effective for period beginning on or after 1 January 2022)  
This standard will supersede PBE IFRS 9 and PBE IPSAS 29. PBE IPSAS 41 introduces a new classification and measurement regime for financial instruments.
- (e) PBE IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2023)  
This standard supersedes PBE IFRS 4 Insurance Contracts. PBE IFRS 17 requires not-for-profit PBEs to identify portfolios of insurance contracts which are subject to similar risks and managed together.

## COVID-19 PANDEMIC

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Novel Coronavirus (COVID-19). Following this, on Wednesday 25 March 2020, the New Zealand Government raised its Alert Level to 4 (nationwide lockdown of non-essential services) for an initial four-week period with New Zealand moving back to Alert Level 3 on 27 April 2020. New Zealand moved back to Alert Level 1 on 8 June 2020, with all restrictions except border controls removed.

During Alert Level 4, New Zealand Rugby's operations were not deemed as essential services and as a result, were unable to continue to operate. Post Alert Level 4, operating levels have recovered allowing a restricted rugby calendar to proceed with the introduction of Super Rugby Aotearoa and subsequent international matches as part of the Bledisloe Cup and Tri Nations series.

On 12 August 2020 the Government announced a move from Alert Level 1 to Alert Level 3 for Auckland and Alert Level 2 for the rest of the country. This impacted the final round of Super Rugby Aotearoa and resulted in one cancelled game.

The table below provides an assessment of the impact of COVID-19 on New Zealand Rugby's Balance Sheet.

ITEM	COVID-19 ASSESSMENT	NOTE
Cash and cash equivalents	No impact to the carrying value of cash on hand. Cash reserves have significantly reduced during the year. Reduced revenue from the restricted rugby calendar has been partially mitigated with a number of initiatives implemented to reduce costs.	B5
Term investments	No impact to the carrying value of term investments. A lower level of term investments is maintained to provide cash for day-to-day operations. COVID-19 has impacted interest rates, reducing interest income.	B6
Trade and other receivables and prepayments	New Zealand Rugby has monitored and collected trade receivables throughout the year. An assessment was performed for all receivables outstanding at year-end to determine their collectability. The relatively short term nature of debtors, the credit worthiness of the customer base and the fact that receipts are being received on a regular basis has meant that no provision for doubtful debt has been recognised.	B7
Loans and advances	The loans and advances provided to Provincial Unions and Super Rugby clubs are measured at cost less impairment, with a collectability assessment performed at balance date. All loans are expected to be fully recovered.	B8
Other investments	Where investments are accounted for at fair value, the carrying value reflects the fair value at balance date. COVID-19 has increased market volatility, impacting the return on managed funds and the fair value of the equity securities held. Due to the significant decline in Sky Network Television Limited (Sky NZ) share price, an impairment of \$15.89m has been recognised in the Income Statement.	B11
Derivative financial instruments	COVID-19 has impacted interest rates and foreign exchange rates. Derivatives are recorded at fair value with the carrying value reflecting these changes at balance date.	C1
Property, plant and equipment	New Zealand Rugby's assets are held at cost less accumulated depreciation and impairment. The Group has not identified any indicators that these assets are impaired as a result of COVID-19.	E1
Intangible assets	New Zealand Rugby has performed an impairment assessment of all intangible assets, held at cost less accumulated amortisation and impairment. No impairment was recognised following this assessment.	E2
Investment in other entities	New Zealand Rugby's investment in associates and joint ventures have been reflected in the Group financial statements on an equity accounting basis. Impairment reviews have been completed, incorporating the impact of COVID-19 on performance and forecast. No impairment was recognised following this assessment.	D2
Trade and other payables	No impact to the carrying value of trade and other payables.	B9
Income in advance	World Rugby advanced a significant portion of 2023 Rugby World Cup funding to New Zealand Rugby in 2020 to help mitigate the cash impacts of COVID-19. The \$9.80m advance has been recognised as Income in Advance on the Balance Sheet.	B10
Benevolent and welfare fund	No impact to the carrying value of the Benevolent and Welfare fund.	E3
Provision for medical costs	No impact to the carrying value of the Medical Cost provision.	E3
Player payment variation account	This balance has reduced reflecting payments made from the player payment pool exceeding the players share of revenue in 2020. The players share of revenue was significantly reduced due to COVID-19. Players all took compensation reductions during 2020, recognising the impact of COVID-19.	E3

No other significant measurement impacts were noted on the Balance Sheet. No impact on the going concern status of New Zealand Rugby has been identified as a result of COVID-19.

## A. FINANCIAL PERFORMANCE

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

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

### A1 INCOME

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

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

	NOTE	GROUP	
		2020 \$000	2019 \$000
<b>Income from operations comprises of the following items</b>			
Income from broadcasting, sponsorship and licensing, matchday *		122,062	146,712
<b>Other income</b>			
Income from New Zealand wage subsidy *	A1	5,822	-
Income from government grants *	A1	6,064	5,017
Income from gaming trusts *	A1	17	30
Rugby World Cup 2019 compensation grants from World Rugby		145	20,217
Other income *		2,303	2,600
		<b>14,351</b>	<b>27,864</b>
<b>Interest income</b>			
Bank deposits interest		800	2,508
Provincial Unions interest		28	14
		<b>828</b>	<b>2,522</b>
Managed funds fair value gains		1,110	1,053
Foreign exchange gains		-	8,987
<b>Total income</b>		<b>138,351</b>	<b>187,138</b>

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

COVID-19 has had a material impact on New Zealand Rugby's revenue streams with international travel restrictions and government alert levels resulting in a restricted rugby calendar during 2020. Revenue from broadcast, sponsorship and matchday are reduced due to fewer matches. Income from government grants includes additional COVID-19 related Sport New Zealand funding and income from New Zealand Wage Subsidy relates to COVID-19 government initiatives noted below.

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

	2020 \$000	2019 \$000
Exchange income	124,014	179,685
<b>Non-exchange income</b>		
Sponsorship and licensing	1,400	1,400
Matchday	266	400
Ministry of Social Development (Wage Subsidy)	5,822	-
Other income	6,849	5,653
<b>Total non-exchange income</b>	<b>14,337</b>	<b>7,453</b>
<b>Total income</b>	<b>138,351</b>	<b>187,138</b>

## Income from government and gaming trust grants

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

	2020	2019
	\$000	\$000
<b>New Zealand wage subsidy</b>		
Ministry of Social Development	5,822	-
<b>Total income from New Zealand wage subsidy</b>	<b>5,822</b>	<b>-</b>

As part of the New Zealand Government response to COVID-19, New Zealand Rugby received Government wage subsidy grants of \$5.8m (2019: nil). This relates to two tranches; the 12 week Wage Subsidy and the 8 week Wage Subsidy Extension. This has been included within the 'Other Income' line item on the Income Statement.

	2020	2019
	\$000	\$000
<b>GOVERNMENT AND GAMING TRUST GRANTS</b>		
<b>Government grants</b>		
Accident Compensation Corporation	2,178	1,629
High Performance Sport New Zealand	2,123	2,185
Ministry of Foreign Affairs and Trade	493	643
Sport New Zealand	1,177	550
Te Puni Kokiri	93	10
<b>Total income from Government grants</b>	<b>6,064</b>	<b>5,017</b>
<b>Total Government grants and wage subsidy</b>	<b>11,886</b>	<b>5,017</b>

As part of the New Zealand Government response to COVID-19, New Zealand Rugby received additional Sport New Zealand funding of \$0.7m relating to competitions and partner support. This has been included within the 'Other Income' line item on the Income Statement.

	2020	2019
	\$000	\$000
<b>Gaming trust grants</b>		
New Zealand Community Trust	17	30
<b>Total income from gaming trust grants</b>	<b>17</b>	<b>30</b>

## A2 EXPENDITURE

		GROUP	
	NOTE	2020	2019
		\$000	\$000
<b>Expenditure from operations comprises of the following items</b>			
Expenditure from operating activities		69,906	89,531
<b>Finance costs</b>			
Bank interest		102	448
		<b>102</b>	<b>448</b>
Net movement in doubtful debts provision	B7	(278)	(456)
Write-off to bad debts	B7	203	734
Movement in provision for medical costs	E3	(45)	327
Depreciation of property, plant and equipment	E1	676	615
Amortisation of intangible assets	E2	1,861	1,679
Operating lease rental expenses		1,478	1,614
Employee benefits		74,489	94,390
Defined contribution plan expenses		2,860	5,452
Foreign exchange losses		5,251	-
Equity accounted loss of associates and joint ventures	D2	584	183
<b>Total expenditure</b>		<b>157,087</b>	<b>194,517</b>

To mitigate the impact that COVID-19 has had a on revenue, New Zealand Rugby has significantly reduced expenditure in 2020, to critical or contracted activities. Funding to Provincial Unions and Associate Members has been reduced. New Zealand Rugby employees all took compensation reductions during 2020, in addition to a significant restructure in June 2020. Match and Team related costs have naturally reduced in line with the restricted rugby calendar. Foreign exchange losses include closing out of hedge contracts for cashflow exposures no longer occurring and also reflect significant market fluctuations during the year, as a result of COVID-19.



## Provincial Union Funding

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

	2020	2019
PROVINCIAL UNION	\$000	\$000
<b>Mitre 10 Cup Provincial Unions</b>		
Auckland	2,585	2,794
Bay of Plenty	1,886	2,116
Canterbury	2,144	2,514
Counties Manukau	1,809	2,064
Hawke's Bay	1,513	1,823
Manawatu	1,568	1,663
North Harbour	1,709	1,912
Northland	1,787	1,964
Otago	1,571	1,830
Southland	1,353	1,440
Taranaki	1,577	1,830
Tasman	1,698	1,750
Waikato	1,772	2,173
Wellington	1,878	2,060
<b>Total Mitre 10 Cup Provincial Union funding</b>	<b>24,850</b>	<b>27,933</b>

	2020	2019
PROVINCIAL UNION	\$000	\$000
<b>Mitre 10 Heartland Championship Provincial Unions</b>		
Buller	284	345
East Coast	273	345
Horowhenua Kapiti	512	567
King Country	446	499
Mid Canterbury	388	439
North Otago	316	393
Poverty Bay	452	496
South Canterbury	425	470
Thames Valley	423	480
Wairarapa Bush	402	457
Wanganui	444	496
West Coast	293	344
<b>Total Mitre 10 Heartland Championship Provincial Union funding</b>	<b>4,658</b>	<b>5,331</b>
<b>Total Provincial Union funding</b>	<b>29,508</b>	<b>33,264</b>

Funding to all Provincial Unions has reduced in 2020, recognising the impact of COVID-19 on New Zealand Rugby.

## Super Rugby Club Funding

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

	2020	2019
SUPER RUGBY CLUB	\$000	\$000
Blues	705	489
Chiefs	769	497
Crusaders	687	447
Highlanders	719	483
Hurricanes	726	495
<b>Total Super Rugby club funding</b>	<b>3,606</b>	<b>2,411</b>

Super Rugby Club funding includes an additional \$1.25m COVID-19 related funding from Sport New Zealand in 2020 to support these organisations during the 2020 Super Rugby season (2019: nil).

### Associate Member Funding

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

	2020	2019
	\$000	\$000
<b>ASSOCIATE MEMBER</b>		
New Zealand Deaf Rugby Football Union	15	15
New Zealand Marist Rugby Football Federation	-	5
New Zealand Rugby Foundation	300	400
New Zealand Schools Rugby Council	-	210
New Zealand Universities	-	18
Rugby Museum Society of New Zealand	-	35
<b>Total Associate Member funding</b>	<b>315</b>	<b>683</b>

To mitigate the impact of COVID-19 on the Group, New Zealand Rugby has either removed or significantly reduced all Associate Member funding paid after March 2020.

### A3 TAXATION

New Zealand Rugby is exempt from income tax as a promoter of amateur sport under section CW 46 of the Income Tax Act 2007. A subsidiary of the Group, New Zealand Rugby Promotions Limited is subject to income tax.

For Subsidiaries, Associates and Joint Ventures:

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

	GROUP	
	2020	2019
	\$000	\$000
<b>INCOME TAX EXPENSE</b>		
(Loss)/profit before income tax	(34,629)	(7,379)
Prima facie tax @ 28%	(9,696)	(2,066)
Tax effect of permanent differences (exempt activities)	9,696	2,066
Benefit of tax losses not previously recognised	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The Group has accumulated tax losses of \$5.225m (2019: \$5.225m) available to be carried forward and offset against future assessable income. The \$1.463m (2019: \$1.463m) future tax benefit of these losses has not been recognised as it is not probable that they will be realised. There was no tax effect of other temporary differences on the 2020 result (2019: nil).

## B. MANAGING FUNDING

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

In this section there is information about:

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

### B1 RETAINED EARNINGS

	GROUP	
	2020	2019
	\$000	\$000
<b>RETAINED EARNINGS</b>		
Balance at the start of the year	82,739	90,118
(Loss)/profit for the year attributable to the stakeholder's of the parent	(34,629)	(7,379)
<b>Retained earnings</b>	<b>48,110</b>	<b>82,739</b>

### B2 CASH FLOW HEDGE RESERVE

The cash flow hedge reserve represents the unrealised favourable variance between the contracted rate and the market rate of unexpired foreign currency forward contracts designated as hedges as at 31 December 2020.

	GROUP	
	2020	2019
	\$000	\$000
<b>CASH FLOW HEDGE RESERVE</b>		
Balance at the start of the year	7,952	13,711
(Losses)/gains on cash flow hedges taken to equity	(8,659)	3,456
Transferred to profit or loss for the period	4,422	(9,215)
<b>Cash flow hedge reserve</b>	<b>3,715</b>	<b>7,952</b>

During the year a number of hedge relationships have ceased or have been de-designated and transferred to the Income Statement. This is a result of a reduction in foreign currency cash flow exposures due to COVID-19.

### B3 FOREIGN CURRENCY TRANSLATION RESERVE

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

	GROUP	
	2020	2019
	\$000	\$000
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
Balance at the start of the year	(46)	(5)
(Losses)/gains arising from translation of foreign operations	45	(41)
<b>Foreign currency translation reserve</b>	<b>(1)</b>	<b>(46)</b>

### B4 AVAILABLE FOR SALE REVALUATION RESERVE

The available for sale revaluation reserve comprises the cumulative net movement in the fair value of the equity investment.

	NOTE	GROUP	
		2020	2019
		\$000	\$000
<b>AVAILABLE FOR SALE REVALUATION RESERVE</b>			
Balance at the start of the year		(3,924)	-
(Losses)/gains on equity investments taken to equity	B11	(11,969)	(3,924)
Impairment recognised on equity investments	B11	15,893	-
<b>Available for sale revaluation reserve</b>		<b>-</b>	<b>(3,924)</b>

### B5 CASH AND CASH EQUIVALENTS

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

	GROUP	
	2020	2019
	\$000	\$000
<b>CASH AND CASH EQUIVALENTS</b>		
Current and money market accounts	27,391	27,870
Short-term bank term deposits	5,000	290
<b>Total cash and cash equivalents</b>	<b>32,391</b>	<b>28,160</b>

RECONCILIATION OF NET PROFIT AFTER TAX TO	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES	\$000	\$000
<b>Net loss after income tax</b>	<b>(34,629)</b>	<b>(7,379)</b>
<i>Adjustments for operating activities non-cash items</i>		
Depreciation and amortisation	2,537	2,320
Doubtful debts provision movement	(278)	(456)
Share of associates and joint ventures losses	584	183
Foreign exchange (losses)/gains	(57)	375
Non-cash portion of interest income	533	1,050
Non-cash portion of interest expense	101	447
Fair value movement in managed funds	(1,090)	(1,003)
Non-cash revenue from equity investments	(166)	-
Impairment of available for sale equity instruments	15,893	-
	<b>18,057</b>	<b>2,916</b>
<i>Changes in working capital items</i>		
(Increase)/decrease in trade and other receivables	(11,970)	11,589
(Increase)/decrease in prepayments	(371)	331
Increase in trade and other payables	4,463	2,744
Decrease in provisions and player payment variation account	(11,716)	(5,605)
Increase in income in advance	20,530	1,502
	<b>936</b>	<b>10,561</b>
<i>Items classified as financing activities</i>		
Effect of exchange rate change on foreign currency balances	625	(456)
<b>Cash flow from operating activities</b>	<b>(15,011)</b>	<b>5,642</b>

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

Significant cash outflows from operating activities are a reflection of the impact on COVID-19 on New Zealand Rugby. Reduced revenue from the restricted rugby calendar has been partially mitigated with a number of initiatives implemented to reduce costs. New Zealand Rugby have lower overall cash reserves (including Term Investments and Managed Funds) as a result, with a higher portion held in cash and cash equivalent at year end.

## B6 TERM INVESTMENTS

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

	GROUP	
	2020	2019
TERM INVESTMENTS	\$000	\$000
Short-term bank term deposits	20,000	43,691
Long-term bank term deposits	-	-
<b>Total term investments</b>	<b>20,000</b>	<b>43,691</b>

Term investments have reduced due to the impact of COVID-19, combined with a higher portion of reserves held in shorter term cash and cash equivalents.

## B7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at amortised cost less impairment. Allowances for estimated unrecoverable amounts are recognised in the Income Statement when there is objective evidence that the receivable is impaired. No allowance has been made for estimated unrecoverable trade receivables as at 31 December 2020 (2019: \$278,000).

Included in trade receivables are debtors with a carrying value of \$1,179,000 (2019: \$717,000) which are past due at 31 December which have not been provided for as there has not been any significant change in the credit quality and the amounts are still considered recoverable.

\$203,000 of trade receivables were written off during the year (2019: \$734,000).

	GROUP	
	2020	2019
TRADE AND OTHER RECEIVABLES	\$000	\$000
Trade receivables *	62,679	36,871
Trade receivable accruals	3,593	17,487
Less: Provision for doubtful debts	-	(278)
<b>Total trade receivables</b>	<b>66,272</b>	<b>54,080</b>
Other receivables	-	-
<b>Total trade and other receivables</b>	<b>66,272</b>	<b>54,080</b>
<i>Current</i>	<i>66,272</i>	<i>54,080</i>
<i>Non-current</i>	<i>-</i>	<i>-</i>

**MOVEMENT IN PROVISION FOR DOUBTFUL DEBTS**

Opening provision	(278)	(734)
Provision (created) /reversed during the year	75	(278)
Write-offs to bad debts during the year	203	734
<b>Closing provision for doubtful debts</b>	<b>-</b>	<b>(278)</b>

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

60 - 90 days	1,125	392
91 - 120 days	4	45
121+ days	50	280
<b>Total past due but not impaired trade receivables</b>	<b>1,179</b>	<b>717</b>

\* No trade receivables are from non-exchange income (2019: nil).

**B8 LOANS AND ADVANCES**

Loan and advances are measured at cost less impairment. Allowances for estimated unrecoverable amounts are recognised in the Income Statement when there is objective evidence that the loan is impaired. No allowance has been made for estimated unrecoverable loans and advances as at 31 December 2020 (2019: nil).

	GROUP	
	2020	2019
	\$000	\$000
<b>LOANS AND ADVANCES</b>		
<b>Current loans</b>		
Provincial Unions	230	108
Super Rugby Clubs	-	26
Other	150	150
<b>Total current loans and advances</b>	<b>380</b>	<b>284</b>
<b>Non-current loans</b>		
Provincial Unions	813	1,042
Super Rugby Clubs	333	360
<b>Total non-current loans and advances</b>	<b>1,146</b>	<b>1,402</b>
<b>Total loans and advances</b>	<b>1,526</b>	<b>1,686</b>

New Zealand Rugby received \$107,700 (2019: \$149,000) of loan repayments and provided no further loans to Provincial Unions during the year (2019: \$800,000). Interest of \$28,000 (2019: \$14,000) was charged on all loans to Provincial Unions.

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

Other loans relate to agreements with a third party, no further loans were provided during the year (2019: \$150,000). Interest of \$9,000 (2019: \$2,000) was charged during the year.

**B9 TRADE AND OTHER PAYABLES**

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

	GROUP	
	2020	2019
	\$000	\$000
<b>TRADE AND OTHER PAYABLES</b>		
Trade payables	4,742	1,381
Employee entitlements	3,714	5,480
Goods and services tax (GST) payable	3,541	1,329
Other payables and accruals	5,321	4,665
<b>Total trade and other payables</b>	<b>17,318</b>	<b>12,855</b>

\* Included in trade and other payables are payables from non-exchange income of \$80,000 (2019: \$376,000).

A significant restructure was undertaken at New Zealand Rugby in June 2020. Employee entitlements has subsequently reduced as a direct result.

## B10 INCOME IN ADVANCE

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

	GROUP	
	2020	2019
	\$000	\$000
<b>INCOME IN ADVANCE</b>		
<b>Income in Advance relating to</b>		
Broadcasting, sponsorship and licensing, matchday	69,137	62,378
Government grants *	7,539	3,032
Rugby World Cup 2023 compensation grants from World Rugby	9,801	-
Other income	2,864	2,899
<b>Total income in advance</b>	<b>89,341</b>	<b>68,309</b>
<i>Current</i>	<i>73,818</i>	<i>48,906</i>
<i>Non-current</i>	<i>15,523</i>	<i>19,403</i>

\* Included in income in advance are receivables from non-exchange income of \$8.088m (2019: \$3.161m).

World Rugby advanced a significant portion of 2023 Rugby World Cup funding to New Zealand Rugby in 2020 to help mitigate the cash impacts of COVID-19.

## B11 OTHER INVESTMENTS

	GROUP			
	Fair value at 31 December 2020	Fair value at 31 December 2019	Dividend income recognised during 2020	Dividend income recognised during 2019
	\$000	\$000	\$000	\$000
<b>OTHER INVESTMENTS</b>				
<b>Non-current investments</b>				
Equity securities - at fair value through other comprehensive income	4,285	15,479	-	-
Managed funds - designated at fair value through profit or loss	22,096	21,003	-	-
<b>Total other investments</b>	<b>26,381</b>	<b>36,482</b>	<b>-</b>	<b>-</b>

### Equity securities

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

Financial assets classified as at fair value through other comprehensive income are assessed for impairment at each reporting date to determine whether there is objective evidence of impairment. For an investment in an equity security, the Group considers objective evidence of impairment which includes a significant or prolonged decline in its fair value below its cost. Where an impairment is identified the amount of the cumulative loss is reclassified from equity to the Income Statement. The amount of the cumulative loss is the difference between initial recognition and the current fair value.

The fair value loss recognised as an impairment loss in the Income Statement for the period was \$15.89m (2019: nil). The fair value loss recognised in other comprehensive income in 2019 was \$3.92m. No portion of the investment was disposed of in 2020. An amount of \$19.4m has been recognised in income in advance, with \$3.8m classified as current to be recognised as income in 2021.

The impact of COVID-19 on financial markets and this industry has increased market volatility, which has consequently impacted the fair value of equity securities.

### Managed funds

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

## C. FINANCIAL INSTRUMENTS USED TO MANAGE RISK

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

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

### C1 FINANCIAL RISK MANAGEMENT

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

#### Foreign currency risk management

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

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

FINANCIAL INSTRUMENTS FAIR VALUE	GROUP	
	2020	2019
	\$000	\$000
<b>Assets</b>		
Current foreign currency forward contracts	1,873	6,748
Non-current foreign currency forward contracts	2,107	2,883
<b>Total assets</b>	<b>3,980</b>	<b>9,631</b>
<b>Liabilities</b>		
Current foreign currency forward contracts	14	949
Non-current foreign currency forward contracts	-	432
<b>Total liabilities</b>	<b>14</b>	<b>1,381</b>
<b>Total fair value of financial instruments</b>	<b>3,966</b>	<b>8,250</b>

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

OUTSTANDING CONTRACTS	FORWARD FOREIGN EXCHANGE CONTRACTS							
	AVERAGE FORWARD EXCHANGE RATE		FOREIGN CURRENCY		CONTRACT VALUE		FAIR VALUE	
	2020	2019	2020 FC'000	2019 FC'000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
<b>Sell US dollar</b>								
< 1 year	0.6785	0.6440	14,000	57,265	20,634	88,917	1,156	4,159
1 - 2 years	0.6758	0.6784	5,000	14,000	7,399	20,636	442	(53)
2 - 3 years	-	0.6706	-	13,300	-	19,834	-	191
3 - 4 years	-	0.6673	-	12,600	-	18,882	-	265
4 - 5 years	-	0.6596	-	6,300	-	9,551	-	225
5+ years	-	-	-	-	-	-	-	-
<b>Sell Euro</b>								
< 1 year	0.5661	0.5729	7,701	10,021	13,604	17,492	502	770
1 - 2 years	0.5562	0.5649	7,668	6,975	13,787	12,348	632	497
2 - 3 years	0.5307	0.5551	6,839	6,975	12,888	12,565	1,034	479
3 - 4 years	-	0.5281	-	6,200	-	11,741	-	754
4 - 5 years	-	-	-	-	-	-	-	-
<b>Sell British pound</b>								
< 1 year	0.4994	0.4779	557	6,325	1,115	13,235	55	774
1 - 2 years	-	0.5166	-	57	-	110	-	(2)
<b>Sell Japanese Yen</b>								
< 1 year	66.5700	69.4015	95,000	139,953	1,427	2,017	145	95
1 - 2 years	-	66.5700	-	95,000	-	1,427	-	96
<b>Buy Australian dollar</b>								
< 1 year	-	-	-	-	-	-	-	-
<b>Total forward foreign exchange contracts</b>					<b>70,854</b>	<b>228,755</b>	<b>3,966</b>	<b>8,250</b>

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

### Interest rate risk management

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

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

2020 GROUP \$000						
MATURITY PROFILE	WEIGHTED AVERAGE EFFECTIVE INTEREST %	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL \$000
<b>Financial assets</b>						
Cash and cash equivalents	0.23%	32,479	-	-	-	32,479
Term investments	0.90%	20,224	-	-	-	20,224
Managed Funds		-	-	25,432	-	25,432
Trade and other receivables		66,272	-	-	-	66,272
Loans and advances	2.47%	394	276	524	29	1,223
Financial instruments		1,875	1,077	1,040	-	3,992
<b>Total financial assets</b>		<b>121,244</b>	<b>1,353</b>	<b>26,996</b>	<b>29</b>	<b>149,622</b>
<b>Financial liabilities</b>						
Trade and other payables		17,318	-	-	-	17,318
Benevolent and welfare fund	0.30%	1,800	-	-	-	1,800
Player payment variation account	1.15%	3,936	-	-	-	3,936
Financial instruments		14	-	-	-	14
<b>Total financial liabilities</b>		<b>23,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,068</b>
2019 GROUP \$000						
MATURITY PROFILE	WEIGHTED AVERAGE EFFECTIVE INTEREST %	DUE WITHIN 1 YEAR	DUE IN 1 TO 2 YEARS	DUE IN 3 TO 5 YEARS	DUE AFTER 5 YEARS	TOTAL \$000
<b>Financial assets</b>						
Cash and cash equivalents	0.57%	28,320	-	-	-	28,320
Term investments	2.91%	44,964	-	-	-	44,964
Managed Funds		-	-	23,556	-	23,556
Trade and other receivables		54,080	-	-	-	54,080
Loans and advances	3.04%	273	114	616	374	1,377
Financial instruments		6,728	746	2,232	-	9,706
<b>Total financial assets</b>		<b>134,365</b>	<b>860</b>	<b>26,404</b>	<b>374</b>	<b>162,003</b>
<b>Financial liabilities</b>						
Trade and other payables		12,855	-	-	-	12,855
Benevolent and welfare fund	0.70%	2,328	-	-	-	2,328
Player payment variation account	2.73%	2,276	12,713	-	-	14,989
Financial instruments		902	200	244	-	1,346
<b>Total financial liabilities</b>		<b>18,361</b>	<b>12,913</b>	<b>244</b>	<b>-</b>	<b>31,518</b>

### Credit risk management

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

### Liquidity risk management

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

### Capital risk management

New Zealand Rugby manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure comprises of reserves and retained earnings, which includes cash and other financial instruments. The Board reviews the capital structure annually whilst updating New Zealand Rugby's Investment Policy.

### Market risk management

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

#### Sensitivity analysis - Equity price risk

The equity investment in Sky NZ held by New Zealand Rugby is listed on the New Zealand Stock Exchange. For this investment, a 2% change in the share price as at the reporting date would result in a change in equity by \$70,000 (2019: \$310,000).



## C2 FINANCIAL INSTRUMENTS

### Financial instrument recognition

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

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

### Cash flow hedge

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

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

### Fair value of hedging financial instruments

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

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

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

All financial instruments recognised on New Zealand Rugby's Balance Sheet at fair value have been valued within Level 2 of the valuation methodology hierarchy except for the Equity Investments which are valued within Level 1. The method of valuation uses predominantly Reuters data provided by an external treasury specialist. There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the year ended 31 December 2020 (2019: nil).

### Foreign currency monetary assets and liabilities

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

	GROUP	
	2020	2019
	\$000	\$000
<b>MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>		
<b>Assets</b>		
United States Dollars	12,090	23,842
Euros	14,337	13,430
British Pounds	205	10,986
Australian Dollars	87	877
Canadian Dollars	-	-
Japanese Yen	25	2,028
<b>Total monetary assets denominated in foreign currency</b>	<b>26,744</b>	<b>51,163</b>
<b>Liabilities</b>		
United States Dollars	7,003	13,601
Euros	13,987	12,893
British Pounds	19	575
Australian Dollars	-	6
Canadian Dollars	-	14
Japanese Yen	-	441
<b>Total monetary liabilities denominated in foreign currency</b>	<b>21,009</b>	<b>27,529</b>

### Sensitivity analysis

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

	SENSITIVITY	INTEREST RATE		EXCHANGE RATE		
		2020	2019	2020	2019	
		\$000	\$000	\$000	\$000	
Impact on profit	+/- 100 bps	404	661	+/- 10%	2,721	5,622
Impact on equity	+/- 100 bps	404	661	+/- 10%	9,460	27,540

## D. GROUP STRUCTURE

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

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

### D1 SUBSIDIARIES

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	INTEREST HELD	
		2020	2019
<b>New Zealand Rugby Union Incorporated</b>			
└ New Zealand Rugby Promotions Limited	New Zealand	100%	100%
└ Computerised Match Ticketing Limited	New Zealand	100%	100%

### D2 ASSOCIATES AND JOINT VENTURES

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

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASSIFICATION	INTEREST HELD	
			2020	2019
Blues Limited Partnership	New Zealand	Associate	40%	40%
Highlanders Rugby Club Limited Partnership	New Zealand	Associate	10%	10%
SANZAR Europe s.a.r.l.	Luxembourg	Associate	33%	33%
SANZAR Pty Limited	Australia	Associate	33%	33%
All Blacks Experience Limited Partnership	New Zealand	Joint Venture	51%	51%
New Zealand International Sevens	n/a	Joint Operation	75%	75%
SANZAAR	n/a	Joint Operation	25%	25%

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

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

**SANZAR Europe s.a.r.l.** is a company used to facilitate the sale of broadcast rights into European markets in a tax efficient manner. SANZAR Europe s.a.r.l. is jointly owned by New Zealand Rugby and the Australian and South African Rugby Unions. SANZAR Europe s.a.r.l. has a balance date of 31 December. New Zealand Rugby had broadcasting income rights transactions of \$4.906m (2019: \$3.853m) with SANZAR Europe s.a.r.l. during the year.

**SANZAR Pty Limited** acts as the agent for the SANZAAR unincorporated joint venture which administers the Investec Rugby Championship and Investec Super Rugby competitions. The company is jointly owned by New Zealand Rugby and the Australian and South African Rugby Unions. SANZAR Pty Limited has a balance date of 31 December. New Zealand Rugby had management fee transactions of \$0.779m (2019: \$1.499m) with SANZAR Pty Limited during the year.

**All Blacks Experience Limited Partnership** is a joint venture between New Zealand Rugby and NTT Auckland Tourism Limited, to create an All Blacks themed tourism experience in Auckland. The experience opened in December 2020. While New Zealand Rugby's stake is 51%, with NTT Auckland Tourism Limited owning the remaining 49%, the constitution requires unanimous agreement from both partners for any major decisions and therefore the business is accounted for as a joint venture. New Zealand Rugby is committed to provide an additional \$0.183m (2019: \$3.5m) of capital to All Blacks Experience Limited Partnership.

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

**New Zealand International Sevens** is an unincorporated joint operation between New Zealand Rugby and 37 South Events GP Limited which organises the New Zealand Sevens tournament as part of the World Rugby Sevens World Series. New Zealand Rugby receives 75% of any profit or loss from the tournament and 37 South Events GP Limited the remaining 25%.

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

	GROUP	
	2020	2019
	\$000	\$000
<b>CARRYING VALUE OF ASSOCIATES AND JOINT VENTURES</b>		
Carrying value at beginning of the year	4,232	3,130
Investment	3,558	1,326
Share of net (loss)/profit for the year	(584)	(183)
Change in translation of foreign currency investment	45	(41)
<b>Total investments in associates and joint ventures</b>	<b>7,251</b>	<b>4,232</b>

## E. OTHER

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

### E1 PROPERTY, PLANT AND EQUIPMENT

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

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

GROUP (\$000)	COMPUTER EQUIPMENT	OFFICE EQUIPMENT	OFFICE ALTERATIONS AND FIXTURES	COACHING EQUIPMENT	TOTAL
Cost or fair value	1,324	280	2,831	619	5,054
Less accumulated depreciation	(1,010)	(192)	(1,533)	(501)	(3,236)
<b>Net book value at 31 December 2018</b>	<b>314</b>	<b>88</b>	<b>1,298</b>	<b>118</b>	<b>1,818</b>
Additions	378	258	32	34	702
Depreciation expense	(233)	(29)	(295)	(58)	(615)
<b>Net book value at 31 December 2019</b>	<b>459</b>	<b>317</b>	<b>1,035</b>	<b>94</b>	<b>1,905</b>
Cost or fair value	1,702	538	2,863	653	5,756
Less accumulated depreciation	(1,243)	(221)	(1,828)	(559)	(3,851)
<b>Net book value at 31 December 2019</b>	<b>459</b>	<b>317</b>	<b>1,035</b>	<b>94</b>	<b>1,905</b>
Additions	179	28	-	44	251
Depreciation expense	(258)	(65)	(297)	(56)	(676)
<b>Net book value at 31 December 2020</b>	<b>380</b>	<b>280</b>	<b>738</b>	<b>82</b>	<b>1,480</b>
Cost or fair value	1,881	566	2,863	697	6,007
Less accumulated depreciation	(1,501)	(286)	(2,125)	(615)	(4,527)
<b>Net book value at 31 December 2020</b>	<b>380</b>	<b>280</b>	<b>738</b>	<b>82</b>	<b>1,480</b>

### E2 INTANGIBLE ASSETS

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

GROUP (\$000)	CONTRIBUTION TO EDEN PARK	COMPUTER SOFTWARE	TOTAL
Cost or fair value	10,000	4,961	14,961
Less accumulated amortisation	(4,000)	(2,598)	(6,598)
<b>Net book value as at 31 December 2018</b>	<b>6,000</b>	<b>2,363</b>	<b>8,363</b>
Additions	-	1,250	1,250
Amortisation expenses	(500)	(1,179)	(1,679)
<b>Net book value as at 31 December 2019</b>	<b>5,500</b>	<b>2,434</b>	<b>7,934</b>
Cost or fair value	10,000	6,211	16,211
Less accumulated amortisation	(4,500)	(3,777)	(8,277)
<b>Net book value as at 31 December 2019</b>	<b>5,500</b>	<b>2,434</b>	<b>7,934</b>
Additions	-	176	176
Amortisation expenses	(500)	(1,361)	(1,861)
<b>Net book value as at 31 December 2020</b>	<b>5,000</b>	<b>1,249</b>	<b>6,249</b>
Cost or fair value	10,000	6,387	16,387
Less accumulated amortisation	(5,000)	(5,138)	(10,138)
<b>Net book value as at 31 December 2020</b>	<b>5,000</b>	<b>1,249</b>	<b>6,249</b>

#### Contribution to Eden Park

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

## E3 PROVISIONS

### Provision for medical costs

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

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

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

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

### Short-term provision assumptions

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

The principal assumptions used by the Actuary, Craig Lough were:

- The assumed loss ratio of 3 percent of liable earnings prior to 30 September 2016, 2.75 percent from 1 October 2016 to 30 September 2018 and 3 percent thereafter was determined by considering the observed loss ratios for developed loss quarters; and
- The projected future payments were discounted for the time value of money based on secondary market Government bond yields as at 31 December 2020.

### Long-term provision assumptions

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

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

Other inputs into the model are costs associated with surgery, consultations, rehabilitation and average weekly compensation which have been established using input from ACC and New Zealand Rugby. Economic assumptions were sourced from ACC and are consistent with their valuation basis as at 31 March 2020. A key factor in the model is the number of serious knee injuries sustained over the period of cover as these are believed to be a strong indicator of the need for surgery in later life. The model allows for the possibility of multiple operations to be required over a player's lifetime. The model was constructed to illustrate the potential range of outcomes.

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

	GROUP	
	2020	2019
	\$000	\$000
<b>PROVISION FOR MEDICAL COSTS</b>		
<b>Provision for medical costs at the start of the year</b>	<b>4,248</b>	<b>3,921</b>
Payments made during the year	(611)	(1,207)
Revaluation of provision	(231)	858
Outstanding costs incurred in the current year	797	676
<b>Provision for medical costs at the end of the year</b>	<b>4,203</b>	<b>4,248</b>
<i>Current</i>	<i>797</i>	<i>676</i>
<i>Non-current</i>	<i>3,406</i>	<i>3,572</i>

### Player payment variation account

The player payment variation account represents the difference between the players' share of agreed revenue (Player Generated Revenue) earned during the term of the players' Collective Employment Agreement and the benefits paid to the players during the same period. Player costs are recognised in the year in which the Player Generated Revenue is earned. The players' Collective Employment Agreement is for a two-year term which expired on 31 December 2020. New Zealand Rugby and the Rugby Players Collective are currently renegotiating an extension to the agreement and until this is finalised the existing terms and conditions remain in effect. The Collective Employment Agreement records the intention of both parties to use the player payment variation account surplus in future contract years beyond the expiry date.

	GROUP	
	2020	2019
	\$000	\$000
<b>PLAYER PAYMENT VARIATION ACCOUNT</b>		
<b>Player payment variation account at the start of the year</b>	<b>14,989</b>	<b>20,648</b>
Movement in player payment variation account	(11,053)	(5,659)
<b>Player payment variation account at the end of the year</b>	<b>3,936</b>	<b>14,989</b>
<i>Current</i>	3,936	2,276
<i>Non-current</i>	-	12,713

### Benevolent and Welfare Fund

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

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

	GROUP	
	2020	2019
	\$000	\$000
<b>BENEVOLENT AND WELFARE FUND</b>		
<b>Benevolent and Welfare Fund at the start of the year</b>	<b>2,312</b>	<b>2,138</b>
New Zealand Rugby contribution to the Fund	-	750
Payments from the Fund	(520)	(604)
Interest received	3	28
<b>Benevolent and Welfare Fund at the end of the year</b>	<b>1,795</b>	<b>2,312</b>

Due to the impact of COVID-19, New Zealand Rugby and the New Zealand Rugby Players Association agreed to waive the 2020 contribution to the Benevolent and Welfare Fund while ensuring a sufficient balance remained at balance date. The reduced level of rugby in 2020 and pattern of claims contributed to this decision.

## E4 RELATED PARTIES

### Compensation of key management personnel

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

	GROUP	
	2020	2019
	\$000	\$000
<b>Board member fees</b>	<b>592</b>	<b>577</b>
<b>Chief Executive Officer and Executive Team</b>		
Salaries and short-term benefits	3,240	3,698
<b>Total key management personnel compensation</b>	<b>3,832</b>	<b>4,275</b>

The Chief Executive Officer and Executive team was structurally reorganised during 2020 and consists of nine full-time equivalent employees (2019: six).

Fees paid or payable to Board members for services as Board members during the year totalled \$592,000 (2019: \$577,000). There was \$94,000 of Board member fees outstanding at 31 December 2020 (2019: nil).

During 2020, the Board and Executive Team all took compensation reductions, recognising the impact of COVID-19 on New Zealand Rugby.

## Board Members

Richard Dellabarca is a New Zealand Rugby appointed director on Blues Management Limited and received \$13,200 (2019: \$13,200) from New Zealand Rugby during the year for these services.

Brent Impey is a director of SANZAR Pty Limited and Chair of the SANZAAR Executive Committee and received \$65,000 (2019: nil) from New Zealand Rugby during the year for these services, in line with AGM approved allocations.

Michael Jones is the New Zealand Rugby appointed director of New Zealand Rugby Foundation Incorporated. This role was held by Peter Keane until April 2020.

Stewart Mitchell is a New Zealand Rugby appointed director of All Blacks Experience GP Limited.

Nicola O'Rourke is a New Zealand Rugby appointed director of Highlanders Rugby Club Limited Partnership.

Bart Campbell is a member of the World Rugby Executive Committee.

## Employees

Mark Robinson became Chief Executive Officer of New Zealand Rugby in January 2020. He is the New Zealand Rugby Representative on World Rugby and a member of the World Rugby Rugby Committee, Executive Committee and Budget Advisory Committee.

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

## E5 AUDITOR'S REMUNERATION

	GROUP	
	2020	2019
AUDITOR'S REMUNERATION TO DELOITTE FOR:	\$000	\$000
Audit of the financial statements	91	83
Non-assurance services	-	-
<b>Total auditor's remuneration</b>	<b>91</b>	<b>83</b>

Higher auditor's remuneration was recognised in 2020 as a result of COVID-19 with increased complexity of the financial statements.

## E6 COMMITMENTS

### Operating leases

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

	GROUP	
	2020	2019
OPERATING LEASE COMMITMENTS	\$000	\$000
Less than 1 year	1,587	1,544
Later than 1 year and not later than 2 years	1,501	1,537
Later than 2 years and not later than 5 years	2,879	4,269
More than 5 years	-	106
<b>Total operating lease commitments</b>	<b>5,967</b>	<b>7,456</b>

## E7 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2020 (2019: nil).

## E8 SUBSEQUENT EVENTS

The Board and Management have entered into a process prior to balance date to consider private equity investment into the commercial assets of New Zealand Rugby. New Zealand Rugby has received a final offer from one party. This position has not been accepted, with further due diligence and agreement required by parties including New Zealand Rugby members and Board.

No other subsequent events have occurred since balance date that would materially impact the financial statements as at 31 December 2020 (2019: nil).

## Independent Auditor's Report

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

#### Opinion

We have audited the financial statements of New Zealand Rugby Union Incorporated ('New Zealand Rugby') and its subsidiaries ('the group') which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, comprehensive income statement, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 2 to 23, present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards ('PBE Standards').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in New Zealand Rugby or any of its subsidiaries, except that partners and employees of our firm may deal with New Zealand Rugby and its subsidiaries on normal terms within the ordinary activities of the business of New Zealand Rugby and its subsidiaries.

#### Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.



**Restriction on use**

This report is made solely to the Members, as a body. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

Wellington, New Zealand  
26 March 2021