

***NORTH HARBOUR
RUGBY FOOTBALL UNION INCORPORATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012***

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INDEPENDENT AUDITOR'S REPORT

To the Members of North Harbour Rugby Football Union Incorporated

Report on the Society and Group Financial Statements

We have audited the financial statements of North Harbour Rugby Football Union Incorporated ('the society') and group, comprising the society and its subsidiary on pages 3 to 10. The financial statements comprise the balance sheet as at 31 December 2012, the statements of financial performance and statements of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information for both the society and group.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of society and group financial statements in accordance with generally accepted accounting practice in New Zealand that fairly present the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of society and group financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these society and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the society and group financial statements are free from material misstatement.

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

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

Other than in our capacity as auditors, we provide taxation advice and prepare the tax returns for the group. These matters have not impaired our independence as auditors of the Society or Group. We have no other relationship with, or interest in, the Society or Group.

Opinion

In our opinion the financial statements on pages 3 to 10:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards (New Zealand);
- fairly present the financial position of North Harbour Rugby Football Union Incorporated as at 31 December 2012, and of its financial performance for the year then ended.



Emphasis of Matter

We draw your attention to note 14 to the society and group financial statements, which describes the uncertainty related to the use of the going concern basis of accounting in preparing the society and group accounts. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

We report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by North Harbour Rugby Football Union Incorporated as far as appears from an examination of those records.

Accru Smith Chilcott

Accru Smith Chilcott
Chartered Accountants
13 March 2013
Auckland

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
BALANCE SHEET
AS AT 31 DECEMBER 2012

	<i>Notes</i>	2012	2011	2012	2011
		Group	Group	Parent	Parent
		\$	\$	\$	\$
CURRENT ASSETS					
Accounts Receivable		88,803	200,456	56,287	74,092
Sundry Debtors and Prepayments		114,151	79,133	23,195	38,248
Batertercard Trading Account		23,389	38,576	-	-
Goods and Services Tax		-	-	3,822	5,862
Tax Refund Due		(297)	(238)	-	-
Stock on Hand	3	21,549	16,610	-	6,869
TOTAL CURRENT ASSETS		<u>247,595</u>	<u>334,537</u>	<u>83,304</u>	<u>125,071</u>
NON-CURRENT ASSETS					
Team Harbour Limited	11	-	-	1,886,394	2,069,771
Fixed Assets	4	62,690	64,379	62,690	64,379
Playing Apparel	4	25,026	27,289	25,026	27,289
Intangible Asset	5	374,539	426,800	374,539	426,800
Investments	8	-	-	100	100
TOTAL NON-CURRENT ASSETS		<u>462,255</u>	<u>518,468</u>	<u>2,348,749</u>	<u>2,588,339</u>
TOTAL ASSETS		<u>709,850</u>	<u>853,005</u>	<u>2,432,053</u>	<u>2,713,410</u>
CURRENT LIABILITIES					
Cash & Cash Equivalent		129,073	227,444	143,141	227,978
Accounts Payable		420,125	351,307	168,577	135,670
Payable Accruals		80,381	121,521	77,371	83,446
Goods and Services Tax		(8,334)	8,718	-	-
TOTAL CURRENT LIABILITIES		<u>621,245</u>	<u>708,990</u>	<u>389,089</u>	<u>447,094</u>
NET ASSETS		<u>88,605</u>	<u>144,015</u>	<u>2,042,964</u>	<u>2,266,316</u>
REPRESENTING:					
ACCUMULATED FUNDS					
Unappropriated Funds		144,015	262,984	2,266,316	2,436,825
Surplus / (Deficit)		(55,410)	(118,969)	(223,351)	(170,509)
TOTAL ACCUMULATED FUNDS		<u>88,605</u>	<u>144,015</u>	<u>2,042,964</u>	<u>2,266,316</u>



Director

13/03/2013

Date



Director

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

<i>Notes</i>	<i>2012</i> <i>Group</i> \$	<i>2011</i> <i>Group</i> \$	<i>2012</i> <i>Parent</i> \$	<i>2011</i> <i>Parent</i> \$
ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR	144,015	262,984	2,266,316	2,436,825
Net (Deficit) / Surplus for the Year	(55,410)	(118,969)	(223,351)	(170,509)
TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR	(55,410)	(118,969)	(223,351)	(170,509)
ACCUMULATED FUNDS AT THE END OF THE YEAR	<u>88,605</u>	<u>144,015</u>	<u>2,042,964</u>	<u>2,266,316</u>

The attached Notes on pages 6-10 and Audit Report on pages 1-2 form an integral part of these financial statements.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Notes</i>	2012	2011	2012	2011
		<i>(Year)</i>	<i>(Year)</i>	<i>(Year)</i>	<i>(Year)</i>
		Group	Group	Parent	Parent
		\$	\$	\$	\$
OPERATING REVENUE					
Match Takings		51,643	44,591	-	-
Sponsorship and Signage Income		1,070,379	1,206,147	53,752	58,752
Grants		1,920,098	1,834,960	1,076,294	942,002
Administration Fees		-	-	236,553	241,082
Merchandise		5,444	2,783	-	-
Interest Received		1,878	1,905	1,786	1,792
Sundry Income		386,761	466,206	241,761	271,206
Super 15 Income	8	37,965	-	-	-
Transfer Fees		-	20,843	-	-
TOTAL OPERATING REVENUE		3,474,168	3,577,435	1,610,146	1,514,834
LESS EXPENDITURE:					
ADMINISTRATION EXPENSES					
Fees for Audit and Other Services		8,830	7,076	8,614	7,076
Amortisation	7	52,261	52,261	52,261	52,261
Bad Debts and Doubtful Debts		-	-	-	-
Depreciation	6	24,141	58,629	24,141	58,629
General Administration		195,832	176,122	193,545	174,144
Interest		6,138	7,033	6,138	7,033
Lease Payments		133,763	132,500	133,763	132,500
Motor Vehicle Expenses		100,877	102,792	65,346	67,480
Postage, Stationery and Telephone		68,838	73,900	68,838	73,900
Presentations		7,821	4,848	7,821	4,848
Professional Fees		19,780	8,410	19,780	8,410
Rent		63,166	65,175	63,166	65,175
Salaries and Wages		976,642	907,354	976,642	907,353
TOTAL ADMINISTRATION EXPENSES		1,658,089	1,596,100	1,620,055	1,558,809
MARKETING EXPENSES					
Advertising and Promotion		121,670	162,071	580	317
Merchandise - Purchases		4,699	240	-	-
Sponsorship Promotion		46,876	54,620	-	-
TOTAL MARKETING EXPENSES		173,245	216,931	580	317
MATCH AND STADIUM EXPENSES					
Ground and Stadium Rentals		48,529	24,032	48,529	24,032
Match Day Costs		88,029	107,100	-	-
TOTAL MATCH AND STADIUM EXPENSES		136,558	131,132	48,529	24,032
COACHING AND REPRESENTATIVE EXPENSES					
Coaching		261,683	234,971	61,097	6,000
Gear Costs		114,147	113,000	52,572	34,697
General Expenses		116,366	113,686	12,968	10,654
Laundry		5,341	6,477	3,280	4,781
Payments to Players and Team Management		911,803	1,076,396	382	311
Player Development and Medical Expenses		46,793	91,635	8,567	6,316
Tournament Entrance Fees		4,850	5,478	4,850	5,478
Transfer Fees		-	-	-	-
Travel and Accommodation		100,704	110,598	20,617	33,948
TOTAL COACHING AND REPRESENTATIVE EXPENSES		1,561,687	1,752,242	164,333	102,185
TOTAL EXPENDITURE		3,529,578	3,696,404	1,833,497	1,685,343
NET (DEFICIT) BEFORE DISTRIBUTIONS		(55,410)	(118,969)	(223,351)	(170,509)

The attached Notes on pages 6-10 and Audit Report on pages 1-2 form an integral part of these financial statements.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The North Harbour Rugby Football Union is an Incorporated Society registered under the Incorporated Societies Act 1908. The group consists of the parent North Harbour Rugby Football Union, and Team Harbour Limited, a fully owned subsidiary of the North Harbour Rugby Football Union.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical basis are followed by the Union.

Statutory Base

The Constitution requires that the financial statements are prepared in accordance with the Financial Reporting Act 1993 or any act in substitution therefore in so far they are appropriate for an Incorporated Society

Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied.

(a) **Accounts Receivable**

Accounts Receivable are recorded at expected realisable values, as determined by the Union.

(b) **Inventories**

Inventories are recognised at the lower of cost, determined on a first-in first-out basis and net realisable value.

(c) **Fixed Assets**

Fixed assets are depreciated on a straight line basis at the following rates:

Plant and Equipment	25%
Furniture and Fittings	20%
Office Equipment	25-30%
Leasehold Improvements	10-20%
Playing Apparel	33%

(d) **Investments**

Investments are recorded at the lower of cost or net realisable value as determined by the Union.

(e) **Amortisation of Intangible Assets**

Intangible assets are amortised on a straight line basis over their estimated useful life or term of lease

(f) **Leases**

The costs associated with the Stadium lease have been capitalised and are shown as an intangible asset. Refer (e) above

(g) **Income Tax**

The North Harbour Rugby Football Union is tax exempt due to its amateur status. Taxation in respect of Team Harbour Limited is accounted for in accordance with current tax legislation. Income tax is accounted for using the taxes payable method ie the income tax expense charged to the statement of financial performance is based on the return to the Inland Revenue Department.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

(h) *Differential Reporting*

The Union qualifies for differential reporting as it is not publicly accountable and is not large as defined in the Framework for Differential Reporting. The entity has taken advantage of all available differential reporting exemptions.

(i) *Goods and Services Tax*

The Union and Team Harbour Ltd are both registered for Goods and Services Tax. These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable.

(j) *Valuation of Fixed Assets*

Fixed Assets are recorded at cost, less accumulated depreciation.

(k) *Recognition of Revenue*

Revenue is recognised as income at the time it is received or there is a commitment giving rise to reasonable certainty that it will be received. Within generally accepted accounting standards revenue is recognised at the time when any associated expenses are incurred.

Timing of the recognition of income from grants received from Gaming Trusts will generally reflect the purpose for and terms and conditions under which the grants are received.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies, and all policies have been applied on a basis consistent with the previous year

2 CONSOLIDATION

The Union has consolidated its financial statements to include Team Harbour Limited, a wholly owned subsidiary of the Union, using the purchase method. All significant inter-entity transactions are eliminated on consolidation.

3 STOCK ON HAND

	Group 2012	Group 2011	Parent 2012	Parent 2011
Merchandise	21,549	9,742	-	-
Jubilee Books	-	6,868	-	6,869
	<u>21,549</u>	<u>16,610</u>	<u>-</u>	<u>6,869</u>

4 NON CURRENT ASSETS

4.1 FIXED ASSETS (Parent and Group)

	Cost		Accumulated Depreciation		Book Value	
	2012	2011	2012	2011	2012	2011
Plant and Equipment	175,207	175,207	174,651	169,205	556	6,002
Furniture and Fittings	85,219	85,219	85,219	85,173	-	46
Office Equipment	290,236	267,784	271,343	264,142	18,893	3,642
Leasehold Improvements	237,727	237,727	194,487	183,038	43,241	54,689
TOTAL FIXED ASSETS	<u>788,389</u>	<u>765,937</u>	<u>725,698</u>	<u>701,558</u>	<u>62,690</u>	<u>64,379</u>

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

4.2 PLAYING APPAREL (Parent and Group)

	<i>Cost</i>		<i>Accumulated Amortisation</i>		<i>Book Value</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Playing Apparel	51,859	45,026	26,834	17,737	25,026	27,289

5 INTANGIBLE ASSET (Parent and Group)

	<i>Cost</i>		<i>Accumulated Amortisation</i>		<i>Book Value</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Stadium Licence	1,615,000	1,615,000	1,240,461	1,188,200	374,539	426,800

The stadium asset represents (1) cost \$1,490,000 - a 10 year lease on the North Harbour Rugby Lounges, including the associated seating for these two lounges. The Union has a right of renewal for these areas at market rent for a further 10 years, without need for further capital payments.

(2) cost \$125,000 - a 5 year lease on 1,250 concourse seats. In 2009 the lease period was extended to 2019, bringing the total lease period to 23 years.

6 DEPRECIATION

Depreciation has been charged in the statement of financial performance as follows;

	<i>Group</i>	<i>Group</i>	<i>Parent</i>	<i>Parent</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Plant and Equipment	5,446	31,491	5,446	31,491
Furniture and Fittings	46	5,088	46	5,088
Office Equipment	7,201	6,217	7,201	6,217
Leasehold Improvements	11,448	15,833	11,448	15,833
TOTAL DEPRECIATION	24,141	58,629	24,141	58,629

7 AMORTISATION

Amortisation has been charged in the statement of financial performance as follows;

	<i>Group</i>	<i>Group</i>	<i>Parent</i>	<i>Parent</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Stadium Licence (Note 5)	52,261	52,261	52,261	52,261

8 INVESTMENTS

	<i>Group</i>	<i>Group</i>	<i>Parent</i>	<i>Parent</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Shares in Team Harbour Limited	-	-	100	100

Shares in Team Harbour Limited

The 100 shares in Team Harbour Limited represents 100% ownership of this company (refer to Note 11 for details of activities). This investment has been eliminated for the consolidated accounts.

Blues Franchise

During 2012 the North Harbour Rugby Football Union was part of the Blues Super 15 Franchise, which is a regional competition and the agreed income split was:

North Harbour Rugby Football Union	25%
Other Blues Regions	75%

The North Harbour Rugby Football Union's share of the income generated by the Blues in 2012 was \$37,965 (2011 - \$nil).

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

9 OPERATING LEASE COMMITMENTS

During November 2006 the North Harbour Rugby Football Union moved into new premises at the North Harbour Stadium. The Union has signed a 10 year lease for these premises through to November 2016, with current lease payments of \$45,000 (increased from December 2012, previously \$38,500)

In May 2009 the North Harbour Football Union entered into a leasing agreement with Toyota Finance Ltd. This lease expires in January 2013, North Harbour Rugby Union has entered into a new 3 year lease with for 9 vehicles with Marac Finance Ltd with current annual lease payments of \$81,094.

	<i>Group</i> <i>2012</i>	<i>Group</i> <i>2011</i>	<i>Parent</i> <i>2012</i>	<i>Parent</i> <i>2011</i>
Current	128,383	155,965	128,383	155,965
Non-Current	298,509	198,131	298,509	198,131
	426,892	354,096	426,892	354,096

There were no other operating lease commitments as at 31st December 2012.

10 CAPITAL EXPENDITURE COMMITMENTS

There were no future capital expenditure commitments (2011 - \$nil).

11 TEAM HARBOUR LIMITED

Team Harbour Limited is a wholly owned subsidiary of the North Harbour Rugby Football Union. The company's function is to fund the development, retention and recruitment of rugby players in the North Harbour region.

The company is also responsible for providing some services, not within the scope of the Union's activities, on a commercial basis to sponsors.

During the year the North Harbour Rugby Football Union made advances to and received advances from Team Harbour Limited. The Union charged an administration fee \$236,553 (2011 - \$241,082) The balance of the Advances Account at balance date being \$1,886,394.22 (2011 - \$2,069,771)

The Union has provided a letter of support to Team Harbour Ltd to enable the company to continue as a going concern

The trading results and financial position of this company has been included in the Group accounts.

12 RELATED PARTY TRANSACTIONS

No transactions of a material nature, not disclosed elsewhere in these financial statements, were entered into with related parties

13 CONTINGENT LIABILITIES AND COMMITMENTS

At balance date there are no known significant contingent liabilities or commitments. (2011 \$nil).

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

14 GOING CONCERN

The directors of NHRFU Inc. have considered whether the adoption of the going concern of accounting in preparing these accounts is appropriate. In making this assessment the directors have considered the liquidity and the risks that may affect the Union and its subsidiary, Team Harbour Limited over the next 12 months.

The primary trading risks for NHRFU Inc. for 2013 are those surrounding revenue projections from firstly gaming and national body grants, and secondly sponsorship income, which underpin the funding of the respective amateur and professional games. The directors have reviewed the income and expenditure projections for 2013 and the availability of funding facilities. In the income projections for 2013 is revenue from gaming grants and sponsors, of which \$973,378 or 60.1%, is unsecured at the date of signing these accounts. In particular, the nature of gaming grants which require on going applications means there can be no certainty as to receipt. Failure to secure these sums would put significant pressure on the Union's financial resources.

While recent well publicised events have highlighted the uncertainties faced by rugby organisations in New Zealand, in assessing the risks associated with as yet unconfirmed income the directors consider NHRFU Inc's. income projections for 2013 to be achievable. While there are no formal banking arrangements in place at the time of preparation of these accounts, there is no reason to suspect short term banking facilities, as have been periodically provided by the Union's bankers in the past, will continue to be available should they be required.

NHRFU Inc. and its subsidiary Team Harbour have consolidated positive shareholder equity, although Team Harbour requires the acknowledged support of its parent given it has significant excess liabilities to assets. As in previous years, this support has been acknowledged from the parent.

Having considered the issues facing the Union in the current trading environment the directors consider the Union will be able to meet its commitments for the foreseeable future. Accordingly the continued adoption of the going concern basis of accounting in preparation of these accounts is considered appropriate.