

***NORTH HARBOUR  
RUGBY FOOTBALL UNION INCORPORATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013***

**NORTH HARBOUR  
RUGBY FOOTBALL UNION INCORPORATED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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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 11. The financial statements comprise the statements of financial position as at 31 December 2013, 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 11:

- 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 2013, and of its financial performance for the year then ended.

**Emphasis of Matter**

We draw your attention to note 13 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  
Chartered Accountants  
21 March 2014  
Auckland

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2013**

	<i>Notes</i>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
		<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>					
Accounts Receivable		187,578	88,803	28,647	56,287
Sundry Debtors and Prepayments		71,076	114,151	23,562	23,195
Batertercard Trading Account		24,736	23,389	-	-
Goods and Services Tax		-	-	-	3,822
Tax Refund Due		(306)	(297)	-	-
Stock on Hand	3	26,093	21,549	-	-
<b>TOTAL CURRENT ASSETS</b>		<u>309,177</u>	<u>247,595</u>	<u>52,209</u>	<u>83,304</u>
<b>NON-CURRENT ASSETS</b>					
Team Harbour Limited	11	-	-	1,850,797	1,886,394
Fixed Assets	4	53,653	62,690	53,653	62,690
Playing Apparel	4	16,684	25,026	16,684	25,026
Intangible Asset	5	322,277	374,539	322,277	374,539
Investments	8	359,999	-	360,099	100
<b>TOTAL NON-CURRENT ASSETS</b>		<u>752,613</u>	<u>462,255</u>	<u>2,603,510</u>	<u>2,348,749</u>
<b>TOTAL ASSETS</b>		<u>1,061,790</u>	<u>709,850</u>	<u>2,655,719</u>	<u>2,432,053</u>
<b>CURRENT LIABILITIES</b>					
Cash & Cash Equivalent	2	143,053	129,073	145,220	143,141
Accounts Payable		276,647	420,125	215,108	168,577
Payable Accruals		223,766	80,381	121,022	77,371
Goods and Services Tax		13,839	(8,334)	9,775	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>657,305</u>	<u>621,245</u>	<u>491,125</u>	<u>389,089</u>
<b>NET ASSETS</b>		<u>404,485</u>	<u>88,605</u>	<u>2,164,594</u>	<u>2,042,964</u>
<b>REPRESENTED BY:</b>					
<b>ACCUMULATED FUNDS</b>					
Opening Unappropriated Funds		88,605	144,015	2,042,964	2,266,315
Surplus / (Deficit) for the Year		315,880	(55,410)	121,630	(223,351)
<b>TOTAL ACCUMULATED FUNDS</b>		<u>404,485</u>	<u>88,605</u>	<u>2,164,594</u>	<u>2,042,964</u>

.....  
*Director*  
 18/3/2014  
 Date

.....  
*Director*

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**STATEMENT OF MOVEMENTS IN RETAINED FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

<i>Notes</i>	<i>2013</i> <i>Group</i> \$	<i>2012</i> <i>Group</i> \$	<i>2013</i> <i>Parent</i> \$	<i>2012</i> <i>Parent</i> \$
<b>ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR</b>	88,605	144,015	2,042,964	2,266,315
Net Surplus / (Deficit) for the Year	315,880	(55,410)	121,630	(223,351)
<b>TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR</b>	315,880	(55,410)	121,630	(223,351)
<b>ACCUMULATED FUNDS AT THE END OF THE YEAR</b>	<u>404,485</u>	<u>88,605</u>	<u>2,164,594</u>	<u>2,042,964</u>

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 (Year) Group \$	2012 (Year) Group \$	2013 (Year) Parent \$	2012 (Year) Parent \$
<b>OPERATING REVENUE</b>					
Match Takings		95,160	51,643	-	-
Sponsorship and Signage Income		923,842	1,070,379	37,877	53,752
Grants		2,157,917	1,920,098	1,376,585	1,076,294
Administration Fees		-	-	229,900	236,553
Merchandise		5,036	5,444	-	-
Interest Received		2,584	1,878	2,500	1,786
Sundry Income		606,196	386,761	434,079	241,761
Super 15 Income	11	114,443	37,965	-	-
<b>TOTAL OPERATING REVENUE</b>		<u>3,905,178</u>	<u>3,474,168</u>	<u>2,080,941</u>	<u>1,610,146</u>
<b>LESS EXPENDITURE:</b>					
<b>ADMINISTRATION EXPENSES</b>					
Fees for Audit and Other Services		14,889	8,830	9,500	8,614
Amortisation	7	56,361	52,261	56,361	52,261
Bad Debts and Doubtful Debts		6,500	-	-	-
Depreciation	6	21,263	24,141	21,263	24,141
General Administration		211,786	195,832	208,125	193,545
Interest		8,581	6,138	8,581	6,138
Lease Payments		104,654	133,763	104,654	133,763
Motor Vehicle Expenses		75,221	100,877	65,018	65,346
Postage, Stationery and Telephone		82,191	68,838	82,191	68,838
Presentations		19,026	7,821	19,026	7,821
Professional Fees		5,888	19,780	4,388	19,780
Rent		71,714	63,166	71,715	63,166
Salaries and Wages		1,055,711	976,642	1,055,711	976,642
<b>TOTAL ADMINISTRATION EXPENSES</b>		<u>1,733,786</u>	<u>1,658,089</u>	<u>1,706,533</u>	<u>1,620,055</u>
<b>MARKETING EXPENSES</b>					
Advertising and Promotion		112,473	121,670	327	580
Merchandise - Purchases		9,607	4,699	-	-
Sponsorship Promotion		97,153	46,876	-	-
<b>TOTAL MARKETING EXPENSES</b>		<u>219,233</u>	<u>173,245</u>	<u>327</u>	<u>580</u>
<b>MATCH AND STADIUM EXPENSES</b>					
Ground and Stadium Rentals		48,621	48,529	48,621	48,529
Match Day Costs		84,566	88,029	-	-
<b>TOTAL MATCH AND STADIUM EXPENSES</b>		<u>133,187</u>	<u>136,558</u>	<u>48,621</u>	<u>48,529</u>
<b>COACHING AND REPRESENTATIVE EXPENSES</b>					
Coaching		311,305	261,683	96,516	61,097
Gear Costs		111,744	114,147	50,623	52,572
General Expenses		107,836	116,366	13,353	12,968
Laundry		5,888	5,341	3,235	3,280
Payments to Players and Team Management		797,382	911,803	520	382
Player Development and Medical Expenses		53,542	46,793	11,792	8,567
Tournament Entrance Fees		5,348	4,850	5,348	4,850
Transfer Fees		15,000	-	-	-
Travel and Accommodation		95,047	100,704	22,443	20,617
<b>TOTAL COACHING AND REPRESENTATIVE EXPENSES</b>		<u>1,503,092</u>	<u>1,561,687</u>	<u>203,830</u>	<u>164,333</u>
<b>TOTAL EXPENDITURE</b>		<u>3,589,297</u>	<u>3,529,578</u>	<u>1,959,311</u>	<u>1,833,497</u>
<b>NET SURPLUS / (DEFICIT) BEFORE DISTRIBUTIONS</b>		<u>315,880</u>	<u>(55,410)</u>	<u>121,630</u>	<u>(223,351)</u>

The attached Notes on pages 6-11 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 2013**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

**Basis of Preparation**

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.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with approved Financial Reporting Standards (FRS's) and Statements of Accounting Practice (SSAP's) as appropriate for entities that qualify for and apply differential reporting concessions. The Union has delayed the mandatory adoption of NZ IFRS for certain small entities in line with the Accounting Standards Review Board (ASRB) release 9.

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 except that the financial statements have been prepared so that all components are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

**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 and its subsidiary.

**Specific 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 comprise property, plant and equipment, and are valued at cost, less accumulated depreciation.

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%

Where fixed assets are disposed of the gain or loss arising on sale is recognised in the statement of financial performance.

(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



**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

*(f) Leases*

The costs associated with the Stadium lease have been capitalised and are shown as an intangible asset. Refer (e) above  
 Payments made under operating leases are recognised in the statement of financial performance on a basis representative of the pattern of benefits expected to be derived from the leased asset.

*(g) Income Tax*

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

*(h) 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.

*(i) 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.  
 The Union has various contra sponsorship arrangements, whereby the transactions are not settled in cash, but through offsetting products and services supplied. Non cash contra revenue (and the associated expenditure) is recognised in the statement of financial performance at normal commercial or market rates in the period in which it arises.  
 Cash sponsorship is recognised on an accruals basis.

*(j) Employee Entitlements*

Employee benefits include salaries, wages and annual leave. A provision for employee entitlements due to the employee but not yet paid, is recognised as a liability at balance date.

*(k) 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.  
 In the parent financial statements investments in subsidiaries are stated at cost.

**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 CASH & CASH EQUIVALENTS**

	<b>Group</b> <b>2013</b>	<b>Group</b> <b>2012</b>	<b>Parent</b> <b>2013</b>	<b>Parent</b> <b>2012</b>
Bank & Cash	128,566	129,073	130,732	143,141
Endowment Fund	14,488	-	14,488	-
	<b>143,054</b>	<b>129,073</b>	<b>145,220</b>	<b>143,141</b>

The endowment fund was launched during the 2013 year to raise funds for investment in the future of North Harbour Rugby. As at 31 December 2013 the fund had raised \$133,938 of which \$119,450 has been used to partially fund the investment by The Union in the Blues via the investment in Rugby Holdings Limited Partnership. Refer note 8.

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**3 STOCK ON HAND**

	<b>Group 2013</b>	<b>Group 2012</b>	<b>Parent 2013</b>	<b>Parent 2012</b>
Merchandise	26,093	21,549	-	-
Jubilee Books	-	-	-	-
	<u>26,093</u>	<u>21,549</u>	<u>-</u>	<u>-</u>

**4 NON CURRENT ASSETS**

**4.1 FIXED ASSETS (Parent and Group)**

	<b>Cost</b>		<b>Accumulated Depreciation</b>		<b>Book Value</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Plant and Equipment	175,207	175,207	174,894	174,651	313	556
Furniture and Fittings	85,219	85,219	85,219	85,219	-	-
Office Equipment	302,460	290,236	281,313	271,343	21,147	18,893
Leasehold Improvements	237,727	237,727	205,535	194,487	32,193	43,241
<b>TOTAL FIXED ASSETS</b>	<u>800,613</u>	<u>788,389</u>	<u>746,961</u>	<u>725,698</u>	<u>53,653</u>	<u>62,690</u>

**4.2 PLAYING APPAREL (Parent and Group)**

	<b>Cost</b>		<b>Accumulated Amortisation</b>		<b>Book Value</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Playing Apparel	51,859	51,859	35,175	26,834	16,684	25,026

**5 INTANGIBLE ASSET (Parent and Group)**

	<b>Cost</b>		<b>Accumulated Amortisation</b>		<b>Book Value</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Stadium Licence	1,615,000	1,615,000	1,292,723	1,240,461	322,277	374,539

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;

	<b>Group 2013</b>	<b>Group 2012</b>	<b>Parent 2013</b>	<b>Parent 2012</b>
Plant and Equipment	244	5,446	244	5,446
Furniture and Fittings	-	46	-	46
Office Equipment	9,971	7,201	9,971	7,201
Leasehold Improvements	11,048	11,448	11,048	11,448
<b>TOTAL DEPRECIATION</b>	<u>21,263</u>	<u>24,141</u>	<u>21,263</u>	<u>24,141</u>

**7 AMORTISATION**

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

	<b>Group 2013</b>	<b>Group 2012</b>	<b>Parent 2013</b>	<b>Parent 2012</b>
Stadium Licence (Note 5)	52,261	52,261	52,261	52,261
Investments - Acquisition Costs (RHLP formation) (Note 8)	4,100	-	4,100	-
	<u>56,361</u>	<u>52,261</u>	<u>56,361</u>	<u>52,261</u>

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**8 INVESTMENTS**

**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.

	<i>Group</i> <i>2013</i>	<i>Group</i> <i>2012</i>	<i>Parent</i> <i>2013</i>	<i>Parent</i> <i>2012</i>
Shares in Team Harbour Limited	-	-	100	100

**Rugby Holdings Partnership Limited ("RHLP")**

During the 2013 year the North Harbour Rugby Football Union (NHRFU) entered into an agreement with the Auckland Rugby Union (ARU) and Northland Rugby Union (NRU) to establish RHLP. RHLP was established to hold a 60% interest in the Blues Limited Partnership (BLP) to which the NZRU has granted the license to operate the Blues Super Rugby franchise for a period of 7 years from 1 September 2013. The remaining 40% of BLP is held by Bolton Equities Limited.

The investment in RHLP is considered to be a joint venture whereby NHRFU have a 29.4% interest in RHLP with ARU at 64.8% and NRU 5.8%. As at 31 December 2013, BLP has called \$1,576,000 of its initial \$4,000,000 partners funds of which \$276,000 was satisfied through the transfer of intangible assets. In the event that BLP calls each of RHLP and Bolton Equities all remaining contributions, RHLP has the ability to satisfy part of its contribution through the transfer of further intangible assets amounting to \$424,000. NHRFU's commitment in respect of additional partner funds, in the event a call for the entire remaining contribution is made, amounts to \$428,000 of which \$106,000 would be met by their share of the intangible assets.

Due to the seasonality of the Blues Franchise operating environment and the fact that audited accounts will only be available for the year ended 31 August 2014, the Directors are of the view that it is impracticable to bring into NHRFU's financial statements their share (17.6%) of the BLP joint venture for the four months ended 31 December 2013.

The investment in RHLP as at 31 December 2013 comprises the following:

	<i>Group</i> <i>2013</i>	<i>Group</i> <i>2012</i>	<i>Parent</i> <i>2013</i>	<i>Parent</i> <i>2012</i>
Cash Contribution	209,000	-	209,000	-
Intellectual Property	69,000	-	69,000	-
Direct Acquisition Costs	86,099	-	86,099	-
Less: Amortised	(4,100)	-	(4,100)	-
	359,999	-	359,999	-

NHRFU's direct costs of acquiring the investment in RHLP have been capitalised. These costs are being written off over the 7 year period of the licence granted to BLP to operate the Blues Franchise.

**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>2013</i>	<i>Group</i> <i>2012</i>	<i>Parent</i> <i>2013</i>	<i>Parent</i> <i>2012</i>
Current	125,284	128,383	125,284	128,383
Non-Current	173,224	298,509	173,224	298,509
	298,508	426,892	298,508	426,892

There were no other operating lease commitments as at 31st December 2013.

**NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**10 CAPITAL EXPENDITURE COMMITMENTS**

Other than as referred to in note 8 there were no future capital expenditure commitments (2012 - \$nil).

**11 RELATED PARTY TRANSACTIONS**

**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 \$229,900 (2012 - \$236,553) The balance of the Advances Account at balance date being \$1,850,797 (2012 - \$1,886,394)

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.

**Blues Trust**

The North Harbour Rugby Football Union has a beneficial interest in the Blues Trust on a distribution formula agreed at the discretion of the Trustee company. During 2013 The Union received a distribution from the Blues Trust of \$114,443 (2012 - \$37,965). During the year an additional distribution relating to an assignment of debt amounting to \$69,000 was also received from the Blues Trust. On 17th October 2013 the Trustees of the Blues Trust entered into an agreement to wind up the Blues Trust.

**Rugby Holdings Limited Partnership ("RHLP")**

For details on the investment in RHLP refer to note 8.

**New Zealand Rugby Union ("NZRU")**

Team Harbour Limited has various transactions with the NZRU in respect of the contracting of professional rugby players. In addition the Union receives various grants and payments from the NZRU.

**12 CONTINGENT LIABILITIES AND COMMITMENTS**

At balance date, with the Union's recent purchase of shares in RHLP, there could be a further commitment of Capital Call by the Rugby Holding GP Limited, general partner of Rugby Holdings Limited Partnership to the value of \$332,000 depending on the Working Capital position of the Blues (2012 \$nil).

**13 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 2014 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 2014 and the availability of funding facilities. In the income projections for 2014 is revenue from gaming grants and sponsors, of which \$891,748 or 54.3%, 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 2014 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.

***NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED  
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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.