

***NORTH HARBOUR
RUGBY FOOTBALL UNION INCORPORATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014***

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 2014, 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 required 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 Financial Reporting Standards (New Zealand);
- fairly present the financial position of North Harbour Rugby Football Union Incorporated as at 31 December 2014, 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
16 March 2015
Auckland

***NORTH HARBOUR
RUGBY FOOTBALL UNION INCORPORATED***

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014***

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NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

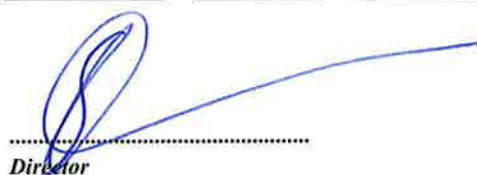
	<i>Notes</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
		<i>Group</i>	<i>Group</i>	<i>Parent</i>	<i>Parent</i>
		\$	\$	\$	\$
CURRENT ASSETS					
Bank	2	217,694	86,260	191,808	84,093
Accounts Receivable		255,339	187,578	132,612	28,647
Sundry Debtors and Prepayments		86,204	71,076	90,091	23,562
Goods and Services Tax		4,856	(13,839)	(9,373)	(9,775)
Tax Refund Due		(257)	(306)	-	-
Stock on Hand	3	18,999	26,093	-	-
TOTAL CURRENT ASSETS		<u>582,835</u>	<u>356,862</u>	<u>405,138</u>	<u>126,527</u>
NON-CURRENT ASSETS					
Team Harbour Limited	12	-	-	1,903,769	1,850,797
Fixed Assets	4	65,780	53,653	65,780	53,653
Playing Apparel	4	11,123	16,684	11,123	16,684
Intangible Asset	5	318,703	370,964	318,703	370,964
Investments	8	69,698	81,998	69,798	82,099
TOTAL NON-CURRENT ASSETS		<u>465,304</u>	<u>523,300</u>	<u>2,369,173</u>	<u>2,374,197</u>
TOTAL ASSETS		<u>1,048,139</u>	<u>880,162</u>	<u>2,774,311</u>	<u>2,500,724</u>
CURRENT LIABILITIES					
Bartercard Trading Account		6,265	(24,736)	-	-
Accounts Payable		237,034	276,647	212,979	215,108
Payable Accruals		349,739	223,766	220,927	121,022
Income in Advance		12,314	-	12,314	-
TOTAL CURRENT LIABILITIES		<u>605,352</u>	<u>475,677</u>	<u>446,220</u>	<u>336,130</u>
NET ASSETS		<u>442,787</u>	<u>404,485</u>	<u>2,328,091</u>	<u>2,164,594</u>
REPRESENTED BY:					
ACCUMULATED FUNDS					
Opening Unappropriated Funds		404,485	88,605	2,164,594	2,042,964
Surplus / (Deficit) for the Year		38,302	315,880	163,497	121,630
TOTAL ACCUMULATED FUNDS		<u>442,787</u>	<u>404,485</u>	<u>2,328,091</u>	<u>2,164,594</u>



.....
Director

.....
Date

16/3/2015



.....
Director

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
STATEMENT OF MOVEMENTS IN RETAINED FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2014

<i>Notes</i>	2014 Group \$	2013 Group \$	2014 Parent \$	2013 Parent \$
ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR	404,485	88,605	2,164,594	2,042,964
Net Surplus / (Deficit) for the Year	38,302	315,880	163,497	121,630
TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR	38,302	315,880	163,497	121,630
ACCUMULATED FUNDS AT THE END OF THE YEAR	<u>442,787</u>	<u>404,485</u>	<u>2,328,091</u>	<u>2,164,594</u>

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	2014	2013	2014	2013
		(Year)	(Year)	(Year)	(Year)
		Group	Group	Parent	Parent
		\$	\$	\$	\$
OPERATING REVENUE					
Match Takings		128,376	95,160	-	-
Sponsorship and Signage Income		866,201	923,842	32,877	37,877
Grants		2,360,228	2,157,917	1,569,602	1,376,585
Administration Fees	12	-	-	183,333	229,900
Endowment Fund - Income	11	35,330	-	35,330	-
Merchandise		4,720	5,036	-	-
Interest Received		3,677	2,584	3,527	2,500
Sundry Income		337,986	606,196	257,986	434,079
Super 15 Income	12	-	114,443	-	-
Share of BLP Revenue	11&12	1,114,853	-	1,114,853	-
TOTAL OPERATING REVENUE		4,851,371	3,905,178	3,197,508	2,080,941
LESS EXPENDITURE:					
ADMINISTRATION EXPENSES					
Fees for Audit and Other Services		17,280	14,889	12,280	9,500
Amortisation	7	64,561	56,361	64,561	56,361
Bad Debts and Doubtful Debts		2,665	6,500	2,665	-
Depreciation	6	25,413	21,263	25,413	21,263
General Administration		236,361	211,786	232,443	208,125
Endowment Fund - Expenses	11	37	-	37	-
Interest		2,914	8,581	2,914	8,581
Lease Payments		114,551	104,654	114,551	104,654
Motor Vehicle Expenses		55,711	75,221	45,698	65,018
Postage, Stationery and Telephone		74,504	82,191	74,504	82,191
Presentations		20,120	19,026	20,120	19,026
Professional Fees		684	5,888	684	4,388
Rent		72,473	71,714	72,474	71,715
Salaries and Wages		1,070,168	1,055,711	1,070,167	1,055,711
Share of BLP Expenses	11&12	1,081,337	-	1,081,337	-
TOTAL ADMINISTRATION EXPENSES		2,838,779	1,733,786	2,819,848	1,706,533
MARKETING EXPENSES					
Advertising and Promotion		107,263	112,473	-	327
Merchandise - Purchases		12,938	9,607	-	-
Sponsorship Promotion		83,536	97,153	-	-
TOTAL MARKETING EXPENSES		203,737	219,233	-	327
MATCH AND STADIUM EXPENSES					
Ground and Stadium Rentals		44,357	48,621	44,357	48,621
Match Day Costs		130,933	84,566	-	-
TOTAL MATCH AND STADIUM EXPENSES		175,290	133,187	44,357	48,621
COACHING AND REPRESENTATIVE EXPENSES					
Coaching		213,443	311,305	15,186	96,516
Gear Costs		114,273	111,744	48,742	50,623
General Expenses		139,508	107,836	57,273	13,353
Laundry		6,708	5,888	3,279	3,235
Payments to Players and Team Management		967,608	797,382	831	520
Player Development and Medical Expenses		44,026	53,542	6,935	11,792
Tournament Entrance Fees		17,630	5,348	17,630	5,348
Transfer Fees		-	15,000	-	-
Travel and Accommodation		92,067	95,047	19,930	22,443
TOTAL COACHING AND REPRESENTATIVE EXPENSES		1,595,263	1,503,092	169,806	203,830

The attached Notes on pages 7-12 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 2014

	<i>Notes</i>	<i>2014</i> <i>(Year)</i> <i>Group</i> <i>\$</i>	<i>2013</i> <i>(Year)</i> <i>Group</i> <i>\$</i>	<i>2014</i> <i>(Year)</i> <i>Parent</i> <i>\$</i>	<i>2013</i> <i>(Year)</i> <i>Parent</i> <i>\$</i>
TOTAL EXPENDITURE		4,813,069	3,589,297	3,034,011	1,959,311
NET SURPLUS / (DEFICIT) BEFORE DISTRIBUTIONS		38,302	315,880	163,497	121,630

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 "old GAAP" which is in accordance 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. From 1 April 2014 the new Financial Reporting Act 2013 has come into force and replaces the Financial Reporting Act 1993. The new act is effective for all for-profit entities with reporting periods beginning on or after 1 April 2014.

In addition to the change in legislation the External Reporting Board of New Zealand ("XRB") has released a new accounting standards framework which establishes the financial reporting standards to be applied to entities with financial reporting obligations. The Union will review its future reporting obligations taking into account the effects of these changes.

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.

The accounts have been prepared on a going concern basis and are presented in New Zealand dollars.

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.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(d) Investments

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

(e) Amortisation of Intangible Assets

Where an intangible asset is considered by the Union to have an indefinite useful life these are carried at acquisition cost.
 Intangible assets that are not considered to have an indefinite useful life 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
 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.

The Union's share of its joint venture interest in Rugby Holdings Limited Partnership has been incorporated into the parent and group financial statements on a line-by-line basis using the proportionate consolidation method.

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

	Group	Group	Parent	Parent
	2014	2013	2014	2013
Bank & Cash	167,912	36,478	142,026	34,311
Endowment Fund	49,782	49,782	49,782	49,782
	<u>217,694</u>	<u>86,260</u>	<u>191,808</u>	<u>84,093</u>

The endowment fund was launched during the 2013 year to raise funds for investment in the future of North Harbour Rugby.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3 STOCK ON HAND

	Group 2014	Group 2013	Parent 2014	Parent 2013
Merchandise	18,999	26,093	-	-
Jubilee Books	-	-	-	-
	18,999	26,093	-	-

4 NON CURRENT ASSETS

4.1 FIXED ASSETS (Parent and Group)

	Cost		Accumulated Depreciation		Book Value	
	2014	2013	2014	2013	2014	2013
Plant and Equipment	194,294	175,207	179,185	174,894	15,109	313
Furniture and Fittings	85,219	85,219	85,219	85,219	-	-
Office Equipment	328,695	302,460	299,168	281,313	29,527	21,146
Leasehold Improvements	237,727	237,727	216,583	205,535	21,144	32,192
TOTAL FIXED ASSETS	845,935	800,613	780,154	746,961	65,780	53,651

4.2 PLAYING APPAREL (Parent and Group)

	Cost		Accumulated Amortisation		Book Value	
	2014	2013	2014	2013	2014	2013
Playing Apparel	51,859	51,859	40,737	35,175	11,123	16,684

5 INTANGIBLE ASSET (Parent and Group)

	Group 2014	Group 2013	Parent 2014	Parent 2013
Stadium Licence (Note 5.1)				
Cost	1,615,000	1,615,000	1,615,000	1,615,000
Accumulated Amortisation	1,344,984	1,292,723	1,344,984	1,292,723
Book Value	270,016	322,277	270,016	322,277
Blues Limited Partnership (Note 5.2)				
Share of Blues Limited Partnership (BLP) via RHLP	48,687	48,687	48,687	48,687
	318,703	370,964	318,703	370,964

- 5.1** 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.

- 5.2** NHRFU proportionately consolidates its effective share of BLP via RHLP, including intangible assets that were acquired from RHLP on the formation of BLP. It is the view of BLP management that these intangible assets which include the True Blue membership database and other IP material have an indefinite useful life.

6 DEPRECIATION

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

	Group 2014	Group 2013	Parent 2014	Parent 2013
Plant and Equipment	677	244	677	244
Furniture and Fittings	-	-	-	-
Office Equipment	13,688	9,971	13,688	9,971
Leasehold Improvements	11,048	11,048	11,048	11,048
TOTAL DEPRECIATION	25,413	21,263	25,413	21,263

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

7 AMORTISATION

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

	<i>Group</i> <i>2014</i>	<i>Group</i> <i>2013</i>	<i>Parent</i> <i>2014</i>	<i>Parent</i> <i>2013</i>
Stadium Licence (Note 5)	52,261	52,261	52,261	52,261
Investments - Acquisition Costs (RHLP formation) (Note 8)	12,300	4,100	12,300	4,100
	64,561	56,361	64,561	56,361

8 INVESTMENTS

	<i>Group</i> <i>2014</i>	<i>Group</i> <i>2013</i>	<i>Parent</i> <i>2014</i>	<i>Parent</i> <i>2013</i>
<i>Shares in Team Harbour Limited (Note 8.1)</i>	-	-	100	100
<i>Capitalised Investment Costs (Note 8.2)</i>				
Capitalised Costs	86,099	86,099	86,099	86,099
Accumulated Amortisation	(16,400)	(4,100)	(16,400)	(4,100)
	69,699	81,999	69,699	81,999
	69,699	81,999	69,799	82,099

8.1 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 in the group accounts.

8.2

On acquisition of the investment in RHLP (refer Note 12) NHRFU incurred various costs related directly to cost of acquiring the investment. These costs have been capitalised and 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 \$45,000.00

In February 2014 the North Harbour Football Union entered into a leasing agreement with Marac Finance Ltd. for 9 vehicles. The term of the new lease is 3 year lease. An additional vehicle was leased in April 2014 for a term years. Current annual lease payments for 10 vehicles are \$92,79494.

In March 2014 North Harbour Rugby Union entered into a leasing agreement with Canon Finance NZ for 2 photocopiers. The term of the lease is 48 months and the current annual lease payments are \$14,981

	<i>Group</i> <i>2014</i>	<i>Group</i> <i>2013</i>	<i>Parent</i> <i>2014</i>	<i>Parent</i> <i>2013</i>
Current	152,775	125,284	152,775	125,284
Non-Current	81,441	173,224	81,441	173,224
	234,216	298,508	234,216	298,508

There were no other operating lease commitments as at 31st December 2014.

10 CAPITAL EXPENDITURE COMMITMENTS

Other than as referred to in note 8 there were no future capital expenditure commitments (2013 - \$nil).

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

11 ENDOWMENT FUND

The endowment fund was established by NHRFU to provide transparency for donations and as a long term initiative to benefit North Harbour Rugby. Management of the fund is under the control of three trustees.

During the year the year endowment fund income consisted of the following:

	Group	Parent
	2014	2014
Income:		
Proportion of registration fees and donations	35,350	35,350
Expenses:		
Bank and administration	(37)	(37)
Joint venture share of RHLP and BLP (refer note 12):		
Share of BLP revenue	1,114,853	1,114,853
Share of BLP expenses	(1,081,337)	(1,081,337)
Net Income	68,829	68,829

12 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 \$183,333 (2013 - \$229,900) The balance of the Advances Account at balance date being \$1,903,769 (2013 - \$1,850,797)

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.

Rugby Holdings Limited Partnership ("RHLP")

During the year ended 31 December 2013 the North Harbour Rugby Football Union (NHRFU) entered into an agreement with the Auckland Rugby Union (ARU) and Northland Rugby Union (NRU) to establish Rugby Holdings Limited Partnership (RHLP). The purpose of RHLP is 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. BLP replaced the former Blues Trust as the license holder.

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 2014, 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.

NHRFU's share of its joint venture interest in Rugby Holdings Limited Partnership and ultimately BLP, has been incorporated into the parent and group financial statements on a line-by-line basis using the proportionate consolidation method. BLP's financial year ends on 31 August and its accounts for the first year of operation have been prepared and audited for the 14 months ended 31 August 2014. Due to the seasonality of BLP's operating environment and the fact that audited accounts are only available to 31 August 2014, the Directors are of the view that the accounts of RHLP and BLP for the 14 months ended 31 August should be used as the basis for including NHRFU's joint venture share of these entities in the accounts of NHRFU for the year ended 31 December 2014. Accordingly NHRFU's joint venture share of transactions arising for the 4 months ended 31 December 2014 have not been included in these accounts.

NORTH HARBOUR RUGBY FOOTBALL UNION INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 The Union received a distribution from the Blues Trust of \$nil (2013 - \$114,443). On 17th October 2013 the Trustees of the Blues Trust entered into an agreement to wind up the Blues Trust.

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.

13 CONTINGENT LIABILITIES AND COMMITMENTS

At balance date, with the Union's recent purchase of shares in RHL, 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 (2013 \$nil).

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 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 \$1,172,050 or 64.3%, 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.

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.