

***NORTH HARBOUR  
RUGBY UNION INCORPORATED  
SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015***

**NORTH HARBOUR  
RUGBY UNION INCORPORATED**

**SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of North Harbour Rugby Union Incorporated**

#### **Report on the Special Purpose Financial Statements**

We have audited the special purpose financial statements of North Harbour Rugby Union Incorporated ("NHRU") and its subsidiary together with its interest in a jointly controlled entity ("the group") on pages 3 to 14. The special purpose financial statements comprise the special purpose statement of financial position as at 31 December 2015, the special purpose statements of financial performance and movements in retained funds for the year then ended, and a summary of significant accounting policies and other explanatory information for both NHRU and the group. The special purpose financial statements have been prepared based on accounting policies approved by the Board.

#### **Director's Responsibility for the Special Purpose Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements and group in accordance with accounting policies approved by the Board, for determining the acceptability of the basis of accounting, and for such internal control as the Directors determine is necessary to enable the preparation of special purpose 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 special purpose financial statements and group 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 special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those assessments, the auditor considered the internal controls relevant to the group's preparation and fair presentation of the special purpose financial statements, 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 special purpose financial statements.

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

We assist with the preparation and filing of the tax return for group entities, as required. Other than this matter we have no relationship with, or interest in, the entity or group.

#### **Opinion**

In our opinion the special purpose financial statements on pages 3 to 14 present fairly, in all material respects, the financial position of the group as at 31 December 2015, and its financial performance for the year ended on that date, in accordance with accounting policies approved by the Board.



**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to note 1 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to provide the member's information about the results of operations, financial position, and illustrate the financial performance of the NHRU, its subsidiary and interest in a jointly controlled entity. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the members of NHRU and should not be distributed to or used by any parties other than the members of NHRU.

*Accru Smith Chilcott*

Accru Smith Chilcott  
Chartered Accountants  
24 March 2016  
Auckland

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	<i>Notes</i>	<b>2015</b>	<b>\$</b>	<b>2,014</b>	<b>2015</b>	<b>2,014</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>						
Bank	2	8,312		217,694	(13,527)	191,808
Accounts Receivable		58,774		255,339	49,638	132,612
Sundry Debtors and Prepayments		104,378		86,204	65,535	90,091
Goods and Services Tax		17,074		4,856	(18,632)	-9,373
Tax Refund Due		(247)		(257)	0	0
Stock on Hand	3	13,215		18,999	0	0
<b>TOTAL CURRENT ASSETS</b>		<u>201,506</u>		<u>582,835</u>	<u>83,014</u>	<u>405,138</u>
<b>NON-CURRENT ASSETS</b>						
Team Harbour Limited	12	0		0	2,095,422	1,903,769
Fixed Assets	4	164,807		65,780	164,807	65,780
Playing Apparel	4	7,415		11,123	7,415	11,123
Intangible Asset	5	266,441		318,703	266,442	318,703
Investments	8	57,399		69,698	57,499	69,798
Loan to RHLP	12	207,345		0	207,345	0
<b>TOTAL NON-CURRENT ASSETS</b>		<u>703,407</u>		<u>465,304</u>	<u>2,798,930</u>	<u>2,369,173</u>
<b>TOTAL ASSETS</b>		<u>904,913</u>		<u>1,048,139</u>	<u>2,881,944</u>	<u>2,774,311</u>
<b>CURRENT LIABILITIES</b>						
Bartercard Trading Account		6,227		6,265	0	0
Accounts Payable		93,158		165,697	65,352	141,642
Payable Accruals		262,618		349,739	200,652	220,927
Deferred Income		91,402		71,337	91,401	71,337
Bank Loan Current Portion	13	27,763		0	27,763	0
Income in Advance		1,249		12,314	1,252	12,314
<b>TOTAL CURRENT LIABILITIES</b>		<u>482,416</u>		<u>605,352</u>	<u>386,420</u>	<u>446,220</u>
<b>TERM LIABILITIES</b>						
Bank Loan	13	132,237		0	132,237	0
<b>TOTAL TERM LIABILITIES</b>		<u>132,237</u>		<u>0</u>	<u>132,237</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>					<u>518,657</u>	<u>446,220</u>
<b>NET ASSETS</b>		<u>290,260</u>		<u>442,787</u>	<u>2,363,287</u>	<u>2,328,091</u>
<b>REPRESENTED BY:</b>						
<b>ACCUMULATED FUNDS</b>						
Opening Unappropriated Funds		442,787		404,485	2,328,091	2,164,594
Surplus / (Deficit) for the Year		(152,527)		38,302	35,196	163,497
<b>TOTAL ACCUMULATED FUNDS</b>		<u>290,260</u>		<u>442,787</u>	<u>2,363,287</u>	<u>2,328,091</u>

.....  
Director

22/3/2016  
Date

.....  
Director

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**SPECIAL PURPOSE STATEMENT OF MOVEMENTS IN RETAINED FUNDS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

<i>Notes</i>	<i>2015</i> <i>Group</i> \$	<i>2014</i> <i>Group</i> \$	<i>2015</i> <i>Parent</i> \$	<i>2014</i> <i>Parent</i> \$
<b>ACCUMULATED FUNDS AT THE BEGINNING OF THE YEAR</b>	442,787	404,485	2,328,091	2,164,594
Net Surplus / (Deficit) for the Year	(152,527)	38,302	35,196	163,497
<b>TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR</b>	(152,527)	38,302	35,196	163,497
<b>ACCUMULATED FUNDS AT THE END OF THE YEAR</b>	<u>290,260</u>	<u>442,787</u>	<u>2,363,287</u>	<u>2,328,091</u>

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**SPECIAL PURPOSE STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Notes</i>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
		<b>(Year)</b>	<b>(Year)</b>	<b>(Year)</b>	<b>(Year)</b>
		<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING REVENUE</b>					
Match Takings		73,483	128,376	-	-
Sponsorship and Signage Income		954,364	866,201	100,377	32,877
Grants		2,451,798	2,360,228	1,720,881	1,569,602
Administration Fees	12	-	-	200,000	183,333
Endowment Fund - Income	11	30,700	35,330	30,700	35,330
Merchandise		4,153	4,720	-	-
Interest Received		6,559	3,677	6,352	3,527
Sundry Income		252,800	337,986	132,801	257,986
Share of BLP Revenue	12	971,843	1,114,853	971,843	1,114,853
<b>TOTAL OPERATING REVENUE</b>		<u>4,745,700</u>	<u>4,851,371</u>	<u>3,162,954</u>	<u>3,197,508</u>
<b>LESS EXPENDITURE:</b>					
<b>ADMINISTRATION EXPENSES</b>					
Fees for Audit and Other Services		18,593	17,280	14,493	12,280
Amortisation	7	64,561	64,561	64,561	64,561
Bad Debts and Doubtful Debts		-	2,665	-	2,665
Depreciation	6	28,226	25,413	28,226	25,413
General Administration		251,686	236,361	249,517	232,443
Endowment Fund - Expenses	11	259	37	259	37
Interest		2,918	2,914	2,918	2,914
Lease Payments		130,271	114,551	124,968	114,551
Motor Vehicle Expenses		65,315	55,711	54,593	45,698
Postage, Stationery and Telephone		66,928	74,504	66,928	74,504
Presentations		24,580	20,120	24,580	20,120
Professional Fees		4,742	684	4,742	684
Rent		73,452	72,473	73,452	72,474
Salaries and Wages		1,105,648	1,070,168	1,105,648	1,070,167
Share of BLP Expenses	12	1,013,060	1,081,337	1,013,060	1,081,337
<b>TOTAL ADMINISTRATION EXPENSES</b>		<u>2,850,239</u>	<u>2,838,779</u>	<u>2,827,946</u>	<u>2,819,848</u>
<b>MARKETING EXPENSES</b>					
Advertising and Promotion		138,328	107,263	49,980	-
Merchandise - Purchases		14,810	12,938	-	-
Sponsorship Promotion		78,300	83,536	-	-
<b>TOTAL MARKETING EXPENSES</b>		<u>231,438</u>	<u>203,737</u>	<u>49,980</u>	<u>-</u>
<b>MATCH AND STADIUM EXPENSES</b>					
Ground and Stadium Rentals		43,546	44,357	43,546	44,357
Match Day Costs		92,537	130,933	-	-
<b>TOTAL MATCH AND STADIUM EXPENSES</b>		<u>136,084</u>	<u>175,290</u>	<u>43,546</u>	<u>44,357</u>
<b>COACHING AND REPRESENTATIVE EXPENSES</b>					
Coaching		168,233	213,443	(34,492)	15,186
Gear Costs		179,298	114,273	106,298	48,742
General Expenses		188,569	139,508	71,658	57,273
Laundry		5,750	6,708	3,236	3,279
Payments to Players and Team Management		918,071	967,608	1,069	831
Player Development and Medical Expenses		69,619	44,026	10,323	6,935
Tournament Entrance Fees		17,492	17,630	17,492	17,630
Transfer Fees		-	-	-	-
Travel and Accommodation		133,435	92,067	30,702	19,930
<b>TOTAL COACHING AND REPRESENTATIVE EXPENSES</b>		<u>1,680,466</u>	<u>1,595,263</u>	<u>206,286</u>	<u>169,806</u>

*The attached Notes on pages 7-14 and Audit Report on pages 1-2 form an integral part of these financial statements.*

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**SPECIAL PURPOSE STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>Notes</i>	<i>2015</i> <i>(Year)</i> <i>Group</i> <i>\$</i>	<i>2014</i> <i>(Year)</i> <i>Group</i> <i>\$</i>	<i>2015</i> <i>(Year)</i> <i>Parent</i> <i>\$</i>	<i>2014</i> <i>(Year)</i> <i>Parent</i> <i>\$</i>
<b>TOTAL EXPENDITURE</b>		4,898,227	4,813,069	3,127,758	3,034,011
<b>NET SURPLUS / (DEFICIT) BEFORE DISTRIBUTIONS</b>		(152,527)	38,302	35,196	163,497



**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The North Harbour Rugby Union Incorporated (NHRU) is an Incorporated Society registered under the Incorporated Societies Act 1908. The consolidated financial statements (the group) consists of the parent, North Harbour Rugby Union Incorporated, a fully owned subsidiary, Team Harbour Limited and North Harbour's share of the jointly controlled entity, Rugby Holdings Limited Partnership.

**Basis of Preparation**

The special purpose financial statements comprise the special purpose statement of financial position as at 31 December 2015, the special purpose statements of financial performance and movements in retained funds for the year then ended, together with a summary of significant accounting policies and notes to these special purpose financial statements.

The special purpose financial statements have been prepared on a historical cost basis applying the going concern basis of accounting. The special purpose financial statements are presented in New Zealand dollars.

As a result of the Financial Reporting Act 2013, which came into force on 1 April 2014, the NHRU no longer has an obligation to prepare general purpose financial statements. In addition to this change in legislation the External Reporting Board of New Zealand ("XRB") released a new accounting standards framework which establishes the financial standards to be applied to entities with statutory financial reporting obligations. NHRU currently has no statutory reporting requirements.

Accordingly the NHRU has prepared special purpose financial statements based on accounting policies approved by the Board.

**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. Bad debts are written off in the period they are identified.

**(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 and impairment losses.

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 as the difference between the carrying amount of the asset and its sale price.

**(d) Investments**

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

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

*(e) Intangible Assets*

Intangible assets that have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

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

Where an intangible asset is considered by NHRU to have an indefinite useful life these are carried at acquisition cost.

Intangible assets are reviewed annually to determine whether there has been any impairment in value.

*(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 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*

NHRU 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.

Funding that is received with specific use criteria attached is recognised once the conditions of the funding have been met. Any funding with specific use criteria for which the conditions of funding have not been met is carried forward as a deferred income liability until all conditions have been fulfilled.

Merchandise shop revenue is recognised at the time a sale occurs.

NHRU 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.

*(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) Cash and cash equivalents*

Cash and cash equivalents includes cash on hand and deposits held on call with financial institutions. Any bank overdrafts are shown net of any cash and deposits on hand.

*(l) Consolidation*

The consolidated financial statements include NHRU, Team Harbour Limited (a wholly owned subsidiary of the Union) and NHRU's jointly controlled share of Rugby Holdings Partnership Limited (RHLP) which has joint control over the Blues Limited Partnership (BLP). Combined these entities form the group.

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

NHRU'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. Due to the seasonality of BLP's operating environment and the fact that audited accounts are available for the year ended 31 August, the audited accounts for the year ended 31 August are used as the basis for including NHRU's share of these entities in the group financial statements of NHRU. Accordingly NHRU's share of transactions arising for the 4 months ended on 31 December are included in the following years group financial statements.

Subsidiaries are entities controlled by the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On a group level investments in subsidiaries and transactions with subsidiaries are eliminated on consolidation. In the parent financial statements investments in subsidiaries are stated at cost.

**Comparatives**

To ensure consistency with the current year, comparatives have been restated where appropriate.

**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>Group</b>	<b>Parent</b>	<b>Parent</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Bank & Cash	8,300	167,912	(13,539)	142,026
Endowment Fund	12	49,782	12	49,782
	8,312	217,694	(13,527)	191,808

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

**3 STOCK ON HAND**

	<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Merchandise	13,215	18,999	-	-
	13,215	18,999	-	-

**4 NON CURRENT ASSETS**

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

	<b>Cost</b>		<b>Accumulated</b>		<b>Book</b>	
	<b>2015</b>	<b>2014</b>	<b>Depreciation</b>	<b>2015</b>	<b>2014</b>	<b>Value</b>
			<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Plant and Equipment	228,546	194,294	186,436	179,185	42,110	15,109
Furniture and Fittings	85,219	85,219	85,219	85,219	-	-
Office Equipment	348,609	328,695	317,695	299,168	30,914	29,527
Leasehold Improvements	267,727	237,727	228,537	216,583	39,190	21,144
Blues Training Facility in Development	52,592	-	-	-	52,592	-
<b>TOTAL FIXED ASSETS</b>	982,692	845,935	817,886	780,154	164,807	65,780

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

	<b>Cost</b>		<b>Accumulated</b>		<b>Book</b>	
	<b>2015</b>	<b>2014</b>	<b>Amortisation</b>	<b>2015</b>	<b>2014</b>	<b>Value</b>
			<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Playing Apparel	51,859	51,859	44,444	40,737	7,415	11,123

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	<i>Group</i> <b>2015</b>	<i>Group</i> <b>2014</b>	<i>Parent</i> <b>2015</b>	<i>Parent</i> <b>2014</b>
<b>Stadium Licence (Note 5.1)</b>				
Cost	1,615,000	1,615,000	1,615,000	1,615,000
Accumulated Amortisation	1,397,245	1,344,984	1,397,245	1,344,984
Book Value	217,755	270,016	217,755	270,016
<b>Blues Limited Partnership (Note 5.2)</b>				
Share of Blues Limited Partnership (BLP) via RHLP	48,687	48,687	48,687	48,687
	<b>266,441</b>	<b>318,703</b>	<b>266,441</b>	<b>318,703</b>

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;

	<i>Group</i> <b>2015</b>	<i>Group</i> <b>2014</b>	<i>Parent</i> <b>2015</b>	<i>Parent</i> <b>2014</b>
Plant and Equipment	1,227	677	1,227	677
Furniture and Fittings	-	-	-	-
Office Equipment	15,045	13,688	15,045	13,688
Leasehold Improvements	11,954	11,048	11,954	11,048
<b>TOTAL DEPRECIATION</b>	<b>28,226</b>	<b>25,413</b>	<b>28,226</b>	<b>25,413</b>

**7 AMORTISATION**

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

	<i>Group</i> <b>2015</b>	<i>Group</i> <b>2014</b>	<i>Parent</i> <b>2015</b>	<i>Parent</i> <b>2014</b>
Stadium Licence (Note 5)	52,261	52,261	52,261	52,261
Investments - Acquisition Costs (RHLP formation) (Note 8)	12,300	12,300	12,300	12,300
	<b>64,561</b>	<b>64,561</b>	<b>64,561</b>	<b>64,561</b>

**8 INVESTMENTS**

	<i>Group</i> <b>2015</b>	<i>Group</i> <b>2014</b>	<i>Parent</i> <b>2015</b>	<i>Parent</i> <b>2014</b>
<b>Shares in Team Harbour Limited (Note 8.1)</b>				
	-	-	100	100
<b>Capitalised Investment Costs (Note 8.2)</b>				
Capitalised Costs	86,099	86,099	86,099	86,099
Accumulated Amortisation	(28,700)	(16,401)	(28,700)	(16,401)
	57,399	69,698	57,399	69,698
	<b>57,399</b>	<b>69,698</b>	<b>57,499</b>	<b>69,798</b>

**NORTH HARBOUR RUGBY UNION INCORPORATED**  
**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

8.1 The 100 shares in Team Harbour Limited represents 100% ownership of this company.

8.2

On acquisition of the investment in RHLF (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 2016 the North Harbour Football Union entered into a leasing agreement with Marac Finance Ltd. for 11 vehicles. The term of the new lease is 3 year lease. An additional vehicle was leased in April 2014 for a term of 2 years. Current annual lease payments for 11 vehicles are \$90,877.44.

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>2015</i>	<i>Group</i> <i>2014</i>	<i>Parent</i> <i>2015</i>	<i>Parent</i> <i>2014</i>
Current	177,750	152,775	177,750	152,775
Non-Current	337,578	81,441	337,578	81,441
	515,328	234,216	515,328	234,216

There were no other operating lease commitments as at 31st December 2015.

**10 COMMITMENTS**

On 15 September 2015 NHRU and ARU entered in to an agreement with RHLF to make available \$900,000 for the purpose of RHLF onlending this amount to BLP for the purpose of funding a share of the outfit and training equipment at the new administration and training facility based at Alexandra Park. NHRU's share of this is 31.42% which totals \$282,743, with the remaining portion being funded by ARU. As at 31 December 2015 NHRU had advanced \$207,345 of the loan, with the remaining \$75,398 being advanced in January 2016.

As at 31 December 2015 the loan is interest free and there are no fixed dates for repayment. In the event that BLP pay interest to RHLF or make any repayment of the loan, then the corresponding amounts become payable immediately to NHRU and ARU in proportion to their loan advances.

As at 31 December 2015 BLP had estimated capital commitments of \$1,3m of which NHRU's share is \$229k.

**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:

	<i>Group</i> <i>2015</i>	<i>Group</i> <i>2014</i>	<i>Parent</i> <i>2015</i>	<i>Parent</i> <i>2014</i>
Income:				
Proportion of registration fees and donations	30,700	35,350	30,700	35,350
Expenses:				
Bank and administration	(259)	(37)	(259)	(37)
Net Fund Income	30,441	35,313	30,441	35,313

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The endowment funds share of the joint venture in RHLP and BLP (refer note 12) is as follows:

Share of BLP revenue				
Share of BLP expenses	971,843	1,114,853	971,843	1,114,853
	(1,013,060)	(1,081,337)	(1,013,060)	(1,081,337)
	(41,217)	33,516	(41,217)	33,516
	(41,217)	33,516	(41,217)	33,516

**12 RELATED PARTY TRANSACTIONS**

**Team Harbour Limited**

Team Harbour Limited is a wholly owned subsidiary of the North Harbour Rugby 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 NHRU made advances to and received advances from Team Harbour Limited. For the year ended 31 December 2015 NHRU charged Team Harbour and an administration fee of \$200,000 (2014 - \$183,333) The balance of the inter entity Advances Account at 31 December 2015 was \$2,095,422 (2014 - \$1,903,769)

NHRU 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 have been included in the Group accounts.

**Rugby Holdings Limited Partnership (RHLP) and Blues Limited Partnership (BLP)**

During the year ended 31 December 2013 the North Harbour Rugby Union (NHRU) 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 New Zealand Rugby Union (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 NHRU have a 29.4% interest in RHLP with ARU at 64.8% and NRU 5.8%. As at 31 December 2015, BLP had called \$1,576,000 (2014: \$1,576,000) of its initial \$4,000,000 partners capital of which \$276,000 was satisfied through the transfer of intangible assets. RHLP and Bolton Equities entered into a loan agreement during the year ended 31 December 2015 to make available loan advances totalling \$1,500,000 for the purpose of funding the outfit and training equipment at the new administration and training facility based at Alexander Park. The loan by RHLP to BLP is being funded by NHRU and ARU of which NHRU's share is \$282,743

As at 31 December 2015 NHRU had advanced \$207,345 with the final loan advance of \$75,398 being made in January 2016.

In accordance with the Group special purpose accounting policies, NHRU have accounted for RHLP and ultimately their share of BLP as a jointly controlled entity and have proportionately consolidated their share of RHLP and ultimately BLP using the audited financial statements of RHLP and BLP for the year ended 31 August.

The group financial statements include the following in respect of RHLP and BLP:

	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Share of income	971,843	1,114,853	971,843	1,114,853
Share of expenses	(1,013,060)	(1,081,337)	(1,013,060)	(1,081,337)

**Blues Trust**

The Blues Trust ceased trading on 31 August 2013 and the licence to operate the Blues was granted to BLP. On 17th October 2013 the Trustees of the Blues Trust entered into an agreement to wind up the Blues Trust. The Blues Trust was wound up during the year ended 31 December 2015.

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**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.

Related party balances outstanding at year end were as follows:

	<i>Receivables</i>		<i>Payables</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
New Zealand Rugby Union	-	29,900	-	-
NHRU Clubs	420	1,506	-	3,803

**Directors**

Directors are required to disclose all possible conflicts of interest at the Board of Directors' meetings and where there is an assessed material conflict identified, the director is required to abstain from voting on any proceedings related to the identified conflict.

During the year ended 31 December 2015 there have been no identified delaings with Directors or partoes related to the directors other than in the ordinary course of business.

No remuneration was paid to any Director during the year ended 31 December 2015 (2014: nil).

**13 BANK LOAN**

To assist with financing the loan to RHLP (refer Note 12) NHRU have taken out a bank loan for \$160,000 (2014: nil). The loan is unsecured and bears interest at the rate of 6.85%pa.

	<i>Group</i>	<i>Group</i>	<i>Parent</i>	<i>Parent</i>
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Current	27,763	-	27,763	-
Non-Current	132,237	-	132,237	-
	<u>160,000</u>	<u>-</u>	<u>160,000</u>	<u>-</u>

**14 CONTINGENT LIABILITIES**

There are no know contingent liabilities in addition to those dosclosed elsewhere in these financial statements.

**15 GOING CONCERN**

The directors of NHRU 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 NHRU Inc. for 2016 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 2016 and the availability of funding facilities. In the income projections for 2016 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 NHRU Inc's. income projections for 2016 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.

NHRU 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.

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***15 SUBSEQUENT EVENTS***

There have been no subsequent events between 31 December 2015 and the approval of these financial statements by the Directors (2014: nil)