



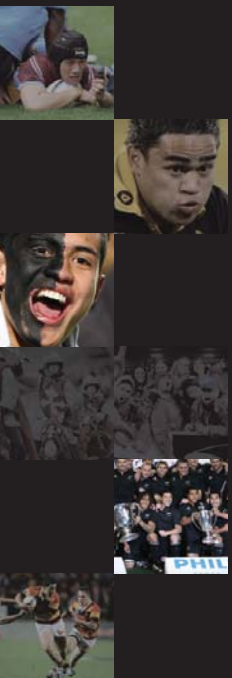
NEW ZEALAND RUGBY UNION

2007 ANNUAL REPORT



**“IN A YEAR WHICH
OFFERED SO MUCH
PROMISE, THE NZRU
FAILED TO FULFIL
THE HOPES AND
EXPECTATIONS OF
SO MANY AMONG
OUR STAKEHOLDERS
AND SUPPORTERS”**

JOCK HOBBS



2007 SCOREBOARD

PERFORMANCE

52/100

REVENUE

\$101.7 MILLION

EXPENDITURE

\$103.4 MILLION

RESULT

(\$1.7 MILLION)

2007 PERFORMANCE

	WEIGHTING	ACHIEVED
● Game Development	20%	10%
● Representative Teams	45%	20%
● Competitions	20%	11%
● Governance & Financial	15%	11%
	100%	52%

2007 EXPENDITURE

EXPENDITURE	\$ MILLION	ALLOCATION
● Game Development	\$23.3	23%
● Representative Teams	\$24.9	24%
● Competitions	\$42.9	41%
● Governance & Financial	\$12.3	12%
	\$103.4	100%

2007 OUTCOMES

GAME DEVELOPMENT	10/20 ¹⁰⁰
------------------	----------------------

- | | |
|-----------------------------------------------------------------------------------------------------------------|---|
| ● Review and update the Community Rugby Plan | ✓ |
| ● Provide support to Provincial Unions to assist with the implementation of the Provincial Union Funding Review | ✓ |
| ● Successfully implement upgraded nzrugby.net functionalities | ✓ |
| ● Achieve a referee retention rate of 90% | x |
| ● Improve referee performance management through use of Referee Information Management System | x |
| ● Increase players of 5–12 years by 5% | x |
| ● Increase players of 13–20 years by 5% | x |
| ● Increase players of 20+ years by 2% | x |
| ● Increase qualified coaches by 4% | x |
| ● Ensure serious injury rate is not greater than average of previous five years | ✓ |

REPRESENTATIVE TEAMS	20/45 ¹⁰⁰
----------------------	----------------------

- | | |
|------------------------------------------------------------------|---|
| ● All Blacks | |
| - Win Rugby World Cup 2007 | x |
| - Retain Philips Tri Nations Series | ✓ |
| - Retain Bledisloe Cup | ✓ |
| - Win Iveco Series Tests against France | ✓ |
| ● Review and update the High Performance Plan | ✓ |
| ● Other national teams | |
| - Junior All Blacks win IRB Pacific Nations Cup | ✓ |
| - New Zealand Under 19 win IRB World Championship | ✓ |
| - New Zealand Sevens win IRB Sevens World Series | ✓ |
| - Strong development of participants in all other national teams | ✓ |

COMPETITIONS	11/20 ¹⁰⁰
--------------	----------------------

- | | |
|--------------------------------------------------------------------------------------------------|---|
| ● Test matches | |
| - 100% attendance at Philips Tri Nations matches and matches against France | x |
| - Increase TV viewership from 2006 | x |
| - Hosting Provincial Unions achieve a minimum of 90% of match management requirements | ✓ |
| ● Rebel Sport Super 14 | |
| - Achieve brand support of 80% | ✓ |
| - Maintain TV viewership at 2006 levels | x |
| - Game attendance average of 19,500 | x |
| ● Air New Zealand Cup | |
| - Achieve brand support of 70% | ✓ |
| - Maintain average game attendance at 2006 levels | x |
| - All Provincial Unions adhere to minimum match requirements | ✓ |
| - Decrease points differential from 2006 | x |
| ● AA Rewards Heartland Championship | |
| - All PUs adhere to minimum match requirements | ✓ |
| - Decrease points differential from 2006 | ✓ |
| ● Salary cap | |
| - No salary cap breaches | ✓ |
| - Increase spread of Rebel Sport Super 14 players across the Air New Zealand Cup teams from 2006 | ✓ |

GOVERNANCE AND FINANCIAL	11/15 ¹⁰⁰
--------------------------	----------------------

- | | |
|-------------------------------------------------------------|---|
| ● Develop and execute new business development initiatives | ✓ |
| ● Achieve a break-even financial result | x |
| ● Maintain a strong team of staff | ✓ |
| ● Provide appropriate support to Provincial Unions | ✓ |
| ● Provide appropriate support to Rugby New Zealand 2011 Ltd | ✓ |

2008 TARGETS

COMMUNITY RUGBY

25/100

- Implement the Community Rugby Plan
- Increase players of 5–12 years by 3%
- Increase players of 13–20 years by 3%
- Increase players of 20+ years by 3%
- Increase qualified coaches by 4%
- Achieve a referee retention rate of 90%
- Implement Contestable Fund
- Ensure serious injury rate is not greater than average of previous five years

HIGH PERFORMANCE RUGBY

25/100

- All Blacks
 - Retain Philips Tri Nations Series
 - Retain Bledisloe Cup
 - Win two Iveco Series Tests against England
 - Win Iveco Series Test against Ireland
 - Win end-of-year tour Tests against Scotland, Ireland, Wales and England
- Implement the High Performance Plan
- Other national teams
 - New Zealand Maori win IRB Pacific Nations Cup
 - New Zealand Sevens win IRB Sevens World Series

COMPETITIONS

30/100

- Undertake strategic reviews of the Air New Zealand Cup and AA Rewards Heartland Championship competitions and Rebel Sport Super 14 competitions and Franchises
- Drive fan interest – Test matches
 - Achieve 93% attendance at Iveco Series and Philips Tri Nations matches
 - Increase average television viewership from 2007
- Drive fan interest – Rebel Sport Super 14
 - Achieve total level of interest amongst all rugby fans of 85%
 - Achieve intensity of support greater than 6.7
 - Increase average television viewership from 2007 levels
 - Achieve average game attendance of 19,500 at round-robin matches in New Zealand
- Air New Zealand Cup
 - Achieve total level of interest amongst all rugby fans of 70%
 - Achieve intensity of support greater than 6.0
 - Achieve average game attendance of 7,500 at round-robin matches
- AA Rewards Heartland Championship
 - All PUs adhere to minimum match requirements

GOVERNANCE AND FINANCIAL

20/100

- Generate significant and sustainable new revenue
- Achieve a break-even financial result
- Maintain a strong team of staff
- Prepare for renegotiation of the Collective Employment Agreement
- Provide advice to Provincial Unions as required
- Maintain strong operational cooperation with Rugby New Zealand 2011 Ltd
- Ensure independent review of RWC 2007 is undertaken and conclusions are distributed appropriately



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JOCK HOBBS

CHAIRMAN'S REPORT



In 2007, a year which had offered so much promise, the New Zealand Rugby Union failed to fulfil the hopes and expectations of so many among our stakeholders and supporters.



Without question, the All Blacks' loss in the Rugby World Cup quarterfinal in October cast a long shadow over the events of the year. Hard-fought and nail-biting, it was a profoundly disappointing result for the team and for New Zealand rugby supporters everywhere. I know that the All Blacks place great value in the loyalty and commitment of their fans, and to let those fans down was devastating to everyone associated with the team. It is both the joy and the curse of sport that so much rests on the outcome of a single contest, and there is no doubt that the team's defeat in Cardiff will stand as the defining moment of 2007.



While the All Blacks provide a natural and often irresistible focus for us all, it is important to remember that New Zealand is home to more than 135,000 rugby players and, throughout 2007, competitions at every level produced teams and players who flourished and excelled. However, despite this, the overriding memory of the year will be, for many of us, one of deep disappointment.

The New Zealand Rugby Union (NZRU) shares in that disappointment. In an organisation – and a country – that sets its standards and expectations very high, it is never easy to accept a Test loss, particularly in such a high-profile match. The quarterfinal defeat was the unfortunate and unwelcome culmination of a long and carefully planned campaign, brought together by a close-knit team of passionate rugby people committed to providing the team with every opportunity to succeed. On a simple, personal level, our failure to win Rugby World Cup 2007 was a heartbreaking result.

Moreover, in today's professional, global rugby environment, the Rugby World Cup has taken on a greater, wider importance. The experiences of recent Rugby World Cup champions have shown that winning the game's showcase tournament can open up valuable opportunities in areas as diverse as promoting community-level participation, invigorating fan interest, stimulating commercial and sponsor-related activities, and raising the profile of national teams, players and competitions. While the Rugby World Cup failure did not directly result in any financial loss to New Zealand rugby,

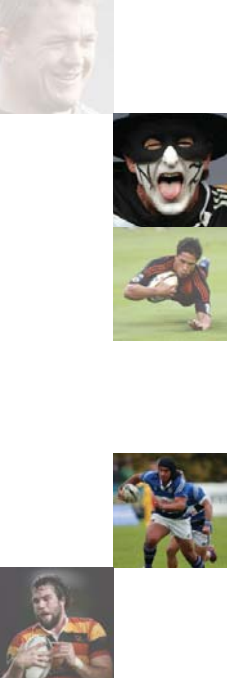
it is certainly regrettable that we are not now in a position to take advantage of those opportunities.

In the interests of winning the William Webb Ellis Cup, the NZRU made a series of bold decisions which, regardless of the tournament outcome, did not have universally positive results for the wider New Zealand rugby community. It would have been short-sighted and, in a professional sense, negligent to fail to acknowledge the importance of the tournament and the potential benefits of an All Blacks victory in it. However, our organisation recognises that, in failing to win, it now faces the need to rebuild confidence, trust and respect in and for the NZRU, and is committed to doing so.

In many areas of the game, the challenges facing rugby have emerged as pressing and very real. None of these challenges are unexpected, and over the past several years the NZRU has put in place strategies and policies to manage the risks associated with issues such as foreign exchange exposure, funding, community rugby, the global rugby landscape, and the effectiveness of our competitions. While the failures and missed opportunities of the past year did not cause or create these challenges, there can be little doubt that they have brought them into sharp focus.

In the wake of the disappointments of 2007, and in an environment that is increasingly difficult and uncertain, New Zealand rugby must act with the shared resolve and solidarity needed to safeguard the future of the game in our country.

“In many areas of the game, the challenges facing rugby have emerged as pressing and very real.”



TURNING TO THE FUTURE

The NZRU Vision continued to direct the course for our organisation. Our Vision was set down in 2003 with a 10-year view to provide a base of grounding principles, ensuring that the policies and decisions of the NZRU's Board and management keep a focus on the good of the game in New Zealand over the long term. The Vision was reviewed at a Provincial Union and Franchise Forum prior to the Annual General Meeting. However, for 2007 and the purposes of this Annual Report, our existing Vision is the most relevant.

That Vision calls for:

- The All Blacks and other high performance teams to maintain their enviable historical winning records;
- The base of the game at community level to be healthy and strong;
- Competitions at all levels of the game that are entertaining, aspirational, sustainable and safe for all of our players;
- Outstanding identification and development programmes to generate quality players, referees, coaches and administrators;
- A global game that is healthy and prosperous; and
- Rugby to be the sport of choice for the maximum number of people in New Zealand, as participants, spectators or broadcast audiences.

It is clear that, in the current environment, there are challenges at every level to the ability of the NZRU and New Zealand rugby to fulfil this Vision.

ALL BLACKS AND HIGH PERFORMANCE TEAMS

The All Blacks do possess an enviable winning record, and such a sustained record cannot be tarnished by any single defeat. To the close of 2007, the All Blacks recorded a win rate of 74 percent in nearly 430 Test matches. Since the advent of professionalism this rate has increased, to 81 percent. Under the leadership of Graham Henry, between 2004–2007, the All Blacks recorded 42 Test wins at a rate of 87.5 percent, the highest success rate since Fred Allen's unbeaten run of

1966–68. For all but the first and final months of Graham Henry's tenure, the All Blacks ranked as the No 1 team in world rugby. As disheartening as the Rugby World Cup result certainly was, the All Blacks continue to measure up to the standards set by All Blacks teams of the last 105 years.

In December, following an intensive, closely contested application and interview process, the NZRU announced that the incumbent All Blacks coaching team of Graham Henry, Steve Hansen and Wayne Smith would be reappointed for a two-year term. In reaching this decision, the NZRU Board took into account a number of factors and acknowledged the success of the previous four-year term, which included three Philips Tri Nations titles, four Bledisloe Cup triumphs, a successful Grand Slam tour of the UK and Ireland and a three-nil defeat of the British & Irish Lions in New Zealand.

However, the Board also recognised the ability and need of the incumbent coaching panel to learn from their Rugby World Cup experiences. The All Blacks and the NZRU have identified a range of key learnings to come out of the 2007 campaign and, for Graham Henry and his team, 2008 will not be 'business as usual' – New Zealand rugby must and will learn the hard lessons of defeat and make positive changes for the good of the game.

On the field in 2008, the All Blacks face one of the most demanding Test schedules in recent memory, with home Tests against Ireland and England, a three-round Philips Tri Nations and four matches to decide the Bledisloe Cup, and a potential Grand Slam tour in November. The All Blacks' goal remains to win every Test, and select week-in, week-out, the team that is best equipped to achieve victory.

Elsewhere during 2007, our high performance teams achieved some excellent results. The Junior All Blacks maintained their three-year unbeaten record and claimed a second consecutive IRB Pacific Nations Cup title. New Zealand Under 19 claimed the IRB Under 19 World Championship title. New Zealand Sevens staged a remarkable comeback to claim an unprecedented seventh IRB Sevens World Series title. Finally, the Black Ferns swept their two-Test series against Australia to retain the trans-Tasman Laurie O'Reilly trophy. These achievements are notable and worthy, and do not deserve to be overshadowed or to be taken for granted.

COMMUNITY RUGBY

At community level, in schools and clubs across the country, the emphasis is on participation, and so overall player numbers are the ultimate measure of our success. In 2007, total player numbers decreased by four percent, or just over 5,000 players, from 2006 levels. There is no single reason for this decrease, and so no simple response. Rugby at this level is more closely integrated with the lives of individuals and communities, and so more seriously impacted upon by broader societal changes and trends. The NZRU's community rugby programme seeks to acknowledge and work within, rather than ignore or resist, this ever-shifting environment.

The NZRU reviewed its Community Rugby Plan in 2007, after a positive initial three-year Plan that saw overall player numbers rise by 17 percent, and a refreshed, refocused Plan will come into effect from 2008. Many key support programmes are administered by Provincial Unions, and it will be a key focus of the new Plan to encourage and maintain close involvement by, and integration between, national, regional and local rugby bodies.

COMPETITIONS

Throughout 2007, New Zealand's major rugby competitions – the Rebel Sport Super 14, Air New Zealand Cup and AA Rewards Heartland Championship – attracted attention and some criticism. While survey results suggested that overall interest in rugby remained high, television viewership and match attendance figures declined markedly.

In a particularly worrying trend, television audiences for Rebel Sport Super 14 matches fell by an average of 30 percent. The NZRU's decision, taken in 2006, to place 22 All Blacks on a conditioning programme over the first three months of 2007 did, in retrospect, damage the marketability and popularity of the Rebel Sport Super 14. The absence of key All Blacks also compromised the competitiveness of New Zealand teams, and our research shows that the greatest decline in viewership occurred where teams most disappointed the expectations of their fans. Player welfare is vitally important, and an annual period of rest and conditioning must be found for players. However, to schedule All Blacks' conditioning during one of New Zealand rugby's showcase competitions was a mistake – and would have been so, even had the All Blacks won the Rugby World Cup nine months later.

A similar drop in spectator interest affected the Air New Zealand Cup competition. Match attendance, particularly in major centres, dropped significantly from 2006 levels, outweighing the positive gains made in regions such as Hawke's Bay, where the Magpies produced outstanding results on and off the field. The NZRU has identified a range of issues affecting our competitions, recognising that fans have concerns about the quality, competitiveness, quantity, and entertainment value of rugby matches. It is important to recognise that the new competitions introduced in 2006 will take time to reach maturity and, although the NZRU made minor adjustments to the Air New Zealand Cup structure in 2007, no major changes should be made until a review, scheduled for 2008, is completed. However, the NZRU recognises without qualification the importance of Provincial Unions and rugby in our provinces to players, other participants and fans alike.

Off the field, several of our Provincial Unions are facing serious questions about their long-term financial survival. Financial sustainability is a critical issue at every level of the game and, particularly at the provincial level, administrators are being asked to make increasingly difficult decisions to balance their books. In many cases, revenue is flat or dwindling, and rugby-related

costs are rising, creating a fundamental tension that, left unresolved, could result in reduced rugby activities and services or, at worst, the collapse of vital rugby bodies. The NZRU will continue to work alongside Provincial Unions and the community-level organisations they support to find sensible, innovative and affordable solutions.

DEVELOPMENT PROGRAMMES

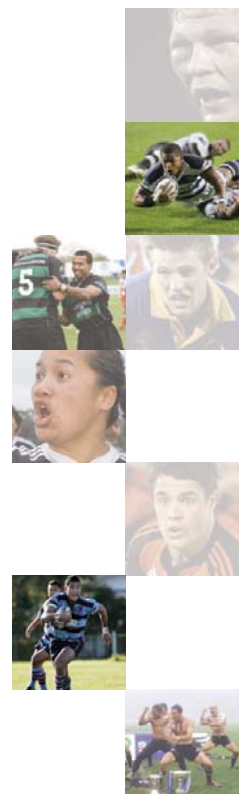
The NZRU has established outstanding identification and development programmes at all levels of the game. Guided by the Community Rugby Plan and High Performance Plan, the NZRU provides support services to all participants in the game, whether they are school kids or professionals.

The NZRU faces the challenge of ensuring that it is New Zealand rugby that benefits from this investment, in an increasingly competitive market for the services of professional rugby players and personnel. The high demand for New Zealand rugby skills and knowledge speaks volumes for the strength of our game, and many players and coaches who leave New Zealand will eventually bring their international experience back into our teams and competitions. While recognising that it cannot compete directly with the financial offers available to some on the international market, the NZRU must nevertheless ensure that the New Zealand game continues to be attractive, welcoming and rewarding to participants at every level.

GLOBAL GAME

The NZRU is a strong and active member of the international rugby community; our officers and administrators are respected, and our unique rugby heritage brings with it great mana. However, in real terms, the New Zealand rugby community is a small one and is separated geographically and, perhaps most crucially, economically from the European powerhouses in the United Kingdom and France.

The professional game, still less than 15 years old, continues to throw up new challenges to established national



and international rugby structures. Player welfare, including the players' ability to play and be available for a high number of Test matches each year, is a vital issue, particularly in countries without a centralised player-contracting system. Across all rugby nations, there is a drive to achieve greater coordination in the scheduling of international competitions and Test matches, and to grow rugby in new and emerging markets. In a relatively immature sport with the potential for major and rapid change, New Zealand rugby must ensure that it is aware of, planning for and, wherever possible, contributing to any discussions that have the ability to alter the direction or shape of the game.

The IRB recognises that change is necessary if rugby is to be a sustainable and significant member of the global sports community. An NZRU delegation, including player representative Richie McCaw, participated in a major global rugby forum in England in November that produced a number of positive outcomes for New Zealand rugby, including recognition of the need for an annual conditioning period for players and provisions to safeguard the quality and stature of Test matches in the June and November windows. The NZRU will continue to work to represent and promote the interests of our national game on the international stage.

SPORT OF CHOICE

At its root, New Zealand rugby is a strong, vibrant sport of immense personal value to millions of New Zealanders. However, there are two major, overarching issues that threaten that foundation: the sustainability of rugby and New Zealand rugby organisations in an increasingly complex and difficult environment, and the ability of rugby to remain relevant, attractive and popular in a modern society that offers an ever-widening array of sports, entertainment and lifestyle options. The NZRU has its eyes and ears wide open, and is under no illusion as to the challenges that rugby faces – our organisation must make considered, far-sighted and sensible decisions for the good of the game. However, I strongly

believe that the future of New Zealand rugby as our national game rests on our collective ability to harness and channel the shared will and determination of the whole New Zealand rugby community. We enjoy a fortunate position amongst New Zealand sports and it is incumbent upon us to value and properly respect that position.

Despite the disappointments of 2007, there are many who deserve acknowledgement and thanks. The NZRU's family of commercial partners provides invaluable support for the game at every level, and their contributions are essential to the livelihood of rugby in our country. I would like to offer special thanks to adidas, Principal Partner of the NZRU and Principal Sponsor of the All Blacks, and to AA Rewards, Air New Zealand, Coca-Cola, Downer EDI Works, Ford, Iveco, MasterCard, Philips, Rebel Sport, Steinlager, Sky Sport, Telecom, Vero and Weet-Bix. Thank you also to SPARC and the New Zealand Academy of Sport, for their support of community rugby, coaching and high performance initiatives.

The strength of New Zealand rugby is underpinned by the loyalty and commitment of everybody who participates in the game. To every one of the players, coaches, managers, referees, administrators, volunteers and supporters who are New Zealand rugby, thank you for your hard work and passion for the game. Also, to my fellow NZRU Board members and to NZRU staff who shared such a difficult year, thank you for your dedication and unstinting enthusiasm.

Finally, I would like to acknowledge the significant contribution made by Chris Moller in his time as Chief Executive of the NZRU. Chris stepped down at the end of 2007, having been the CEO of our organisation through a remarkable five-year period and some of the most notable developments and events of recent New Zealand rugby history. His acumen and untiring application will be missed. At the same time, I wish Steve Tew all the very best and every support in his time as CEO – Steve is an experienced, passionate rugby administrator, and I look forward to a strong and positive partnership.

Throughout 2007, New Zealand rugby demonstrated the great spirit that exists within the game in our country. In the face of increasingly challenging conditions, rugby organisations at every level forged ahead with initiatives, programmes and activities to grow, foster and develop our game. On the local and international stage, players and teams produced performances capable of inspiring excitement and respect amongst supporters and spectators everywhere. And the passion our fans have for the All Blacks and our national game was no more clearly reflected than in the intensity of the disappointment – and the strength of the support – that was expressed in the wake of New Zealand's Rugby World Cup defeat. We are fortunate to work on behalf of players and fans who care so deeply about New Zealand rugby, and that ultimately is what it means for rugby to be the national game. Our position as guardians of the game brings with it a weighty and real responsibility, and our shared sense of that responsibility will drive the NZRU and New Zealand rugby forward to meet the many challenges of 2008 and beyond.



JOCK HOBBS Chairman



STEVE TEW CHIEF EXECUTIVE OFFICER'S REPORT



SCOREBOARD PERFORMANCE

Each year, the NZRU sets itself a number of Priorities: these are objectives that guide our operational activities and form a link between the NZRU Vision and our day-to-day management decisions.

Each Priority provides a focal point for the year, highlighting a major piece of work to be completed or key outcomes to be achieved. For 2007, the NZRU identified five Priorities, each of which is addressed in greater detail elsewhere in this Annual Report. In brief, the 2007 Priorities were to:

- 1: Win Rugby World Cup 2007:** The All Blacks did not win Rugby World Cup 2007 and the team's quarterfinal defeat marked its worst finish in six Rugby World Cup tournaments. This result completely overshadowed the team's successes earlier in the season.
- 2: Review and update the High Performance and Community Rugby Plans, including school and club rugby:** The High Performance and Community Rugby Plans, both major planks in the NZRU's strategic framework, were reviewed, rewritten and approved. Reviews were generally positive and many key initiatives in both areas have been retained.
- 3: Ensure the success of the domestic competitions:** The Air New Zealand Cup faces a number of challenges, in light of poor match-viewership and attendance figures and the financial difficulties affecting some participating Unions. Despite these challenges, the reinvigoration of rugby at this level continued in Hawke's Bay and Manawatu, and to a lesser degree in Counties Manukau and Tasman. Off the field, the NZRU, Provincial Unions and broadcasters Sky TV continued to develop very strong working relationships and delivered excellent, professional-standard operational practices. The AA Rewards Heartland Championship, however, enjoyed a strong year highlighted by competitive matches and good local support.
- 4: Develop and execute identified business development initiatives:** The NZRU capitalised on some important business development opportunities, including the appointment of Italian heavy vehicle manufacturer Iveco as an Official Global Sponsor of the All Blacks and the June inbound Tests, and confirmation of two additional Test matches in 2008, against Australia in Hong Kong and England in London.
- 5: Reduce budgeted expenses by \$2 million:** In recognition of the challenge posed by foreign exchange rates throughout the year, the NZRU made savings in excess of \$2 million on overheads and day-to-day costs, with manageable effect on rugby activities and services.

The Priorities also shape the Scoreboard, which breaks down all of the NZRU's activities into discrete, measurable targets. These targets cover four major operational areas: game development, representative teams, competitions, and governance and financial activities. The full Scoreboard, including results for 2007 and targets for 2008, is shown on pages 1–3.

Measured against the 2007 targets, the NZRU achieved a disappointing overall performance score of 52 percent for the past year. This score, down significantly from the 2006 figure of 84 percent, reflects the importance attributed to winning the Rugby World Cup, as well as unachieved targets in registered participants and fan interest.

The NZRU allocated 25 percent of its overall performance score to the All Blacks' winning Rugby World Cup 2007 – this accounts for more than half of the 'unachieved' portion of the Scoreboard. This heavy weighting reflects the importance of a winning All Blacks team generally – and the opportunities created by a Rugby World Cup title specifically – to the overall health of the game in New Zealand.

Of the remaining 23 percent of unachieved targets, 19 percent relates to the NZRU's failure to reach expected levels in specific game development and competition areas, including registered numbers of players, coaches and referees, and match attendance and viewership figures for Iveco Series and Philips Tri Nations Tests, and Rebel Sport Super 14 and Air New Zealand Cup matches. The final four percent relates to lower than forecast new revenue and the NZRU's failure to record a break-even financial result for the year.

FINANCIAL PERFORMANCE

Despite the solid work done both in generating new revenue opportunities and in making organisational cost savings, the NZRU recorded a loss of \$1.7 million in 2007. While at first glance this loss is a disappointing result, and certainly it does not meet the Scoreboard target of a break-even result, the final figure is an improvement of \$3.1 million on the 2006 result, and reflects a series of judicious fiscal decisions which, taken together, prevented a significantly worse financial result.

Throughout 2007, the NZRU continued to be severely affected by the sustained high value of the New Zealand dollar. At year-end 2007, the New Zealand dollar was valued at 77 cents against the US dollar, compared with 71 cents at year-end 2006, and 39 pence



against the pound sterling, compared with 36 pence at year-end 2006. As the greater part of the NZRU's revenue is received in foreign currency, foreign exchange sensitivity exerts a significant pressure on the financial situation of New Zealand rugby.

Prior to its confirmation of the 2007 budget, the NZRU Board and management conducted a thorough review of all the organisation's activities. It was decided, at this time, to minimise to the greatest extent possible the impact of any adjustments to the budget on funding for core rugby programmes, services and events – with few exceptions, the NZRU delivered a full schedule of rugby activities in 2007.

The fifth priority for 2007 – for the NZRU to reduce budgeted expenses by \$2 million – was introduced at the beginning of the year in recognition of the continued strength of the New Zealand dollar and the effects of that sustained value on previously budgeted figures. As with the initial budget review, these additional reductions were achieved with minimal direct impact on rugby activities. The majority of savings were made in organisational overheads and operating costs, including cuts to Rugby World Cup-related expenditure, marketing and promotional activities, and the suspension of performance-based salary increases for NZRU staff. In total, the NZRU made \$2.5 million in additional cost savings over the course of the year.

In August 2007, the value of the New Zealand dollar weakened significantly against both the US dollar and the pound sterling. At this point, the NZRU was able to take out forward foreign exchange contracts to hedge US\$23.5 million and £6.5 million of reserves, to mature in December 2007. This timely decision – to hedge such a significant portion of foreign currency reserves at rates that transpired to be well below the year-end spot rate – had an extremely positive effect on the 2007 financial result, providing gains of approximately \$5.6 million.

While this improvement is, in itself, an excellent outcome, it is also a stark illustration of the extent to which the NZRU's financial result is dependent upon shifts in the international currency market. Over the past few years, managing the risks associated with foreign exchange sensitivity has become a key component of the NZRU's financial planning and decision-making processes, especially given that any major new revenue opportunities are very likely to be sourced in foreign currencies.

The importance of the Rugby World Cup tournament and of the All Blacks' participation in it, in terms of providing international exposure for our game, justified an additional investment in the team and its campaign. In total, the cost of the All Blacks' Rugby World Cup campaign was \$7.7 million, which in the New Zealand rugby context is clearly a substantial investment. However, it is important to note that the cost of the campaign over and above the cost of a typical end-of-year tour was just \$0.2 million. This modest, net cost takes into account incoming tournament-specific revenue, as well as reduced revenue from a shortened Philips Tri Nations schedule and additional costs associated with delivering the All Blacks conditioning programme and providing increased support to Rebel Sport Super 14 Franchises during that competition.

As an incorporated society, the NZRU is obliged to reinvest any profits in the growth and development of the game. While the NZRU is not a profit-making business in the usual sense, the long-term health of rugby in our country depends, to a large extent, on the ability of the NZRU to generate and redistribute sufficient revenue. Notwithstanding the substantial reserves that currently exist, the NZRU and New Zealand rugby generally cannot continue to record financial losses.

As the effects of rising rugby costs – particularly player costs – foreign exchange sensitivity and uncertainty in new revenue unfold and accumulate, the NZRU will continue to adhere to judicious financial management policies and practices. These include the sensible prioritising of rugby activities and services; the protection, wherever possible, of core funding and strategic programmes; careful management of risk, and the ongoing identification, investigation and maximisation of innovative new business development opportunities.

While the 2007 financial result was far better than worst-case predictions and we are able to pursue a business-as-usual approach for the time being, the organisation must be ready and willing to make difficult, calculated decisions regarding the cost structures of the game. With financial stability perhaps more vital to New Zealand rugby now than at any time since the advent of professionalism more than 10 years ago, the NZRU must take the lead in exhibiting sound, sustainable business practices.

Moreover, there is an increasing need for some of the long-standing and highly valued structures of New Zealand rugby to be challenged. This may not sit comfortably with many of us who grew up with rugby as an important and relatively constant part of our everyday lives. However, it is necessary if we are to address the risk of weakening or losing altogether the unique, traditionally strong position rugby has held in our communities for so long.

PRIORITIES FOR 2008

For 2008, the NZRU has set itself five Priorities, as follows:

- 1: Ensure the All Blacks are a winning team:** Always a priority for the NZRU, the All Blacks are the 'shop window' for New Zealand rugby, and their success is integral to the NZRU's ability to fund and support our national game at every level.
- 2: Drive fan interest:** With several key fan interest measures dropping significantly in 2007, the NZRU must face the challenge of sparking renewed excitement and involvement among rugby fans.
- 3: Undertake strategic reviews of the Air New Zealand Cup and AA Rewards Heartland Championship competitions and Rebel Sport Super 14 competition and Franchises:** These flagship competitions and the structures that support them play a vital role in New Zealand rugby, for players and fans alike, and must remain compelling, relevant and sustainable.

4: Implement the Community Rugby Plan: The new Community Rugby Plan will build upon the successful aspects of the first plan, while introducing new, targeted initiatives to help grow and develop the game in our schools and clubs.

5: Generate significant and sustainable new revenue: While business development initiatives have already produced meaningful gains, the NZRU must continue to look for new opportunities to secure lasting sources of revenue – some of these may be local, however it is more likely that the greatest possibilities lie in developing commercial and rugby opportunities in overseas markets.

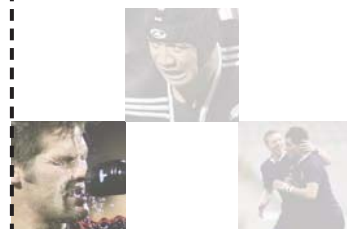
A performance score of 52 percent is not an acceptable result, and must be improved in 2008. At the same time as it tackles the major projects and programmes set down for the year ahead, the NZRU must also be focused on maintaining its own strong organisational performance and on fostering a cooperative, unified spirit amongst rugby organisations nationwide. Two factors will have a fundamental impact on the depth and breadth of our achievements in 2008: the NZRU's ability to engage effectively with fans and other stakeholders, and the New Zealand rugby community's ability to work together to achieve significant and sustainable change.



STEVE TEW Chief Executive Officer



DIRECTORY



PROVINCIAL RUGBY UNIONS



Auckland RFU



Bay of Plenty RFU



Buller RFU



Canterbury RFU



Counties Manukau RFU



East Coast RFU



Hawke's Bay RFU



Horowhenua Kapiti RFU



King Country RFU



Manawatu RFU



Mid Canterbury RFU



North Harbour RFU



North Otago RFU



Northland RFU



Otago RFU



Poverty Bay RFU



Rugby Southland



South Canterbury RFU



Taranaki RFU



Tasman RU



Thames Valley RFU



Waikato RU



Wairarapa Bush RFU



Wanganui RFU



Wellington RFU



West Coast RFU

NZRU PATRON

Sir Wilson Whineray

NZRU LIFE MEMBERS

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Ron Don
Richie Guy
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Jock Hobbs/Graham Mourie
Chris Moller/Steve Tew

NEW ZEALAND REPRESENTATIVES TO SANZAR

Jock Hobbs/Mike Eagle
Chris Moller/Steve Tew

NEW ZEALAND REPRESENTATIVE TO THE FEDERATION OF OCEANIA RUGBY UNIONS

Steve Tew

NZRU APPOINTEES TO RUGBY NEW ZEALAND 2011 LIMITED

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PRINCIPAL PARTNER OF THE NZRU AND PRINCIPAL SPONSOR OF THE ALL BLACKS



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As at 31 December 2007

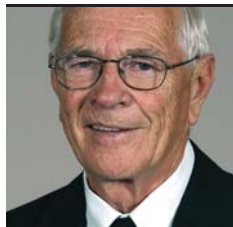
NZRU BOARD

ANDY LESLIE – PRESIDENT



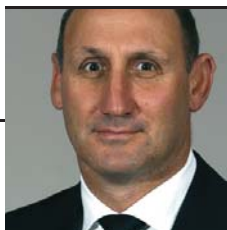
Andy Leslie played 34 matches for the All Blacks, captaining the side in all of his 10 Tests, and has since remained involved in rugby as a coach and administrator. He coached Wellington in the Air New Zealand NPC from 1990–1992, assisted the Irish Rugby Union in developing a long-term plan on assignment from the NZRU in 1993 and later coached the Garryowen club for two seasons. A Life Member of the Petone and Centurion RFCs, he served as President of the Wellington Rugby Union in 2003–2004, after receiving an MNZM, for services to rugby, in 2001.

JOHN STURGEON – VICE PRESIDENT



John Sturgeon served as an NZRU Councillor from 1987 to 1995 and as All Blacks Manager from 1988–1991. He was made an MBE in 1991 for his services to sport. John was previously the NZRU's liaison officer for touring teams and Chairman of the judging panel for New Zealand's annual Steinlager Rugby Awards. The Greymouth resident is a former Chairman and current Life Member of the West Coast RFU, and was elected as NZRU Vice President in 2007.

JOCK HOBBS – CHAIRMAN



Jock Hobbs has had a long rugby career. He was All Blacks captain between 1984–1986, coach/selector of the New Zealand Universities team from 1990–1995 and a member of the NZRU Council, the forerunner to the NZRU Board, from 1995–1996. He was elected to the NZRU Board in 2002. He received a MNZM for services to rugby in 1996, followed by a CNZM in 2006. Jock is an Executive Director of Strategic Finance Limited, holds a number of directorships and is a member of the New Zealand Institute of Directors.

KEN DOUGLAS – INDEPENDENT MEMBER



Ken Douglas joined the NZRU Board in 2005 after a high-profile career in labour relations. He is currently Deputy Chairman of New Zealand Post, the Asia–New Zealand Foundation and Capital & Coast DHB, and Chairman of the Michael Campbell Foundation. In 1998, Ken received New Zealand's highest honour with his appointment to the Order of New Zealand. He also has a long association with Wellington club rugby as a player and administrator.

MIKE EAGLE – SOUTHERN REPRESENTATIVE

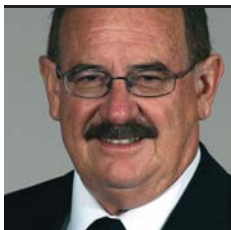


Mike Eagle has had a long rugby career in Canterbury as a player and administrator. He was previously Chairman of the Canterbury RFU and Crusaders Board. He played for Albion RFC and represented Canterbury B. A partner and director of an electrical contracting company, he lives in Christchurch.





IVAN HAINES – NORTHERN REPRESENTATIVE



Ivan Haines is former Chairman of the King Country RFU and Chairman of the Chiefs Board. He is also Chairman of Waitomo Energy Service Customer Trust and has several successful businesses covering tourism, construction and catering. Ivan is also a long-time member of the Waitete Rugby Club. He lives in Cambridge.

GRAHAM MOURIE – CENTRAL REPRESENTATIVE



Graham Mourie has had a long rugby career. He played 61 games for the All Blacks, captaining the team from 1976–1982. He coached Wellington in 1998–1999 and was Hurricanes coach from 2000–2002. He has farming interests in both the Taranaki and Wellington regions and is a long-time member of the Coastal Rugby Club. He lives in Porirua.

MARK PETERS – SOUTHERN REPRESENTATIVE



Mark Peters chaired the Marlborough RFU between 1995–2001 and is a life member of the amalgamated Tasman RU. As a chartered accountant, he holds several directorships and is a member of the New Zealand Institute of Directors. Mark has served in the past on a number of short-term NZRU sub-committees during an extensive career in rugby administration. He lives in Blenheim.

PAUL QUINN – MAORI REPRESENTATIVE



Paul Quinn joined the NZRU Board in April 2002 and was a director on the Wellington RFU Board between 1997–2005. He is also a former New Zealand Maori and Wellington captain. Principal of his own strategic planning and commercial advisory services company, MoCoM Ltd, he holds directorships in several companies. He has been a member of the New Zealand Institute of Directors since 1992. He lives in Wellington.

WARWICK SYERS – NORTHERN REPRESENTATIVE



Warwick Syers is a former Chairman of the Northland RFU and former member of the Blues Board. A chartered accountant, he is a member of the New Zealand Institute of Directors and a Whangarei District Councillor. Warwick played club rugby for the Wellington RFC and went on to become a referee in Northland. He lives in Whangarei.

BILL THURSTON – INDEPENDENT MEMBER



Bill Thurston joined the NZRU Board in 2007. Bill has broad experience in business and law, having held several senior positions at law firm Bell Gully between 1982 and 2002 and previously was General Counsel to Fletcher Challenge Ltd. He was a Trustee of the New Zealand Academy of Sport (Northern Region) and the Millennium Institute of Sport, and previously served as a Councillor of the New Zealand Universities Rugby Football Council and a Committee member of the Victoria University RFC in Wellington.

PRIORITY REPORTS



PRIORITY 1: WIN RUGBY WORLD CUP 2007



Every year, one of the NZRU's priorities is that the All Blacks are a winning team. In 2007, fulfilling that goal meant winning not only the Iveco Series, Bledisloe Cup and Philips Tri Nations trophies, but also the Rugby World Cup. Beyond the desire to simply win the tournament, the Rugby World Cup represented an invaluable opportunity to give our national game a real boost. As former NZRU CEO Chris Moller said when announcing the 2007 Priorities, "... outside of hosting the event, no single thing [would] do more for rugby in New Zealand than the All Blacks achieving their ambition of winning the William Webb Ellis Cup."

In October, the All Blacks failed to realise that ambition, falling 18–20 to France in the Rugby World Cup (RWC) quarterfinal in Cardiff. The defeat meant New Zealand failed to reach the semifinal stage for the first time in its RWC history and so recorded its worst finish in the six tournaments to date. The All Blacks' loss, especially at such an early point in the tournament, was an extremely disappointing result for the whole country.

A thorough and independent review of the All Blacks' campaign leading up to and during the tournament was begun late in 2007, for presentation to the NZRU Board in early 2008. While this report is not able to anticipate the findings of that independent review, it is clear that the only beneficial outcome of a RWC loss is for the All Blacks and the NZRU to identify the weaknesses of the failed campaign, learn the hard lessons of defeat, and implement constructive changes at the organisational, team and national levels. This independent review is a critical step in making some sense of a deeply disappointing result.

The All Blacks' preparations for RWC 2007 were founded on sound planning principles and a long-term project plan with the overall goal of giving the team the best possible chance of winning RWC 2007. The plan covered issues as diverse as player preparation and welfare, the challenges of a long campaign in a foreign environment, interaction with the wider rugby community both at home and overseas, logistical road-testing and contingency planning, stakeholder relationships, and fostering a positive, well-balanced team environment. While nothing can detract from the on-field failure, this careful ground-work resulted in a RWC campaign that, operationally speaking, was well coordinated and smoothly run.

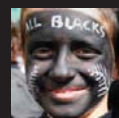


There is no doubt that winning RWC 2007 would have generated significant immediate and long-term benefits for New Zealand rugby as a whole – those opportunities have now been lost. However, in the weeks leading up to the quarterfinal, the All Blacks stepped forward as excellent ambassadors for New Zealand and New Zealand rugby. The team arrived with the expectations that accompany the world's top-ranked team at the sport's showcase event, and both players and management often exceeded the requirements and requests of tournament organisers.

There is no doubt that France and the French organisers hosted an outstanding RWC tournament, as animated fans created an inspiring 'carnival' atmosphere at every venue. As an added benefit, the All Blacks enjoyed strong support throughout the tournament from many French and neutral fans, perhaps more than any other visiting team. RWC Tournament CEO Etienne Thobois later thanked the All Blacks for their contribution to the tournament, noting that the team's "contribution to the promotion of rugby and of New Zealand ... was fantastic."

Outside the rugby environment, All Blacks players and management helped to promote New Zealand in Europe by attending a number of activities and events organised by the New Zealand Embassy in Paris on behalf of the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise. Along with the inflatable "Rugby Ball" venue and exhibition run by Tourism New Zealand in central Paris, New Zealand and the All Blacks maintained a high profile in front of a large audience of rugby fans and tourists, who have the potential to follow rugby-related events to New Zealand, such as RWC 2011.

Without question, the All Blacks' defeat at the hands of a committed French team in Cardiff defined the team's RWC campaign and overshadowed many other events of the 2007 rugby calendar. None of the positive aspects of the campaign can overcome the profound disappointment of the All Blacks' ultimate failure to win RWC 2007. In the wake of such a poor result, the All Blacks and the NZRU can only take on board the lessons of a failed campaign and, with the support of stakeholders and fans, look ahead to what will be a challenging and intense Test season in 2008.



"The All Blacks' loss, especially at such an early point in the tournament, was an extremely disappointing result for the whole country."

PRIORITY 2: REVIEW AND UPDATE THE HIGH PERFORMANCE AND COMMUNITY RUGBY PLANS, INCLUDING SCHOOL AND CLUB RUGBY

The High Performance and Community Rugby Plans, launched by the NZRU in 2005 and 2004 respectively, have each achieved significant results in terms of developing and supporting rugby in two vital and strategically important areas of the game. The NZRU conducted formal reviews of both Plans in 2007, to assess in greater detail the results of the initial term of each Plan and contribute to the development of new Plans to come into effect from 2008.

COMMUNITY RUGBY

The NZRU introduced the Community Rugby Plan (CRP) in 2004 to address the challenges to community rugby's long-standing position as the sport of choice in schools and clubs up and down the country. The CRP recognised that rugby's status in New Zealand was being eroded by fundamental societal changes, such as urban drift and rural depopulation, the proliferation of sport and recreation options, changes in New Zealand's ethnic and cultural profile, and changing work and employment patterns. Four years later, it is clear that rugby cannot recoup the losses of recent decades. Instead, the NZRU must focus on ensuring rugby continually evolves to stay relevant in modern society, and that school teams and clubs are well supported and effectively, efficiently run.

The first CRP provided the framework for strategic and targeted initiatives rolled out between 2004 and 2006. In 2007, while the first CRP was formally reviewed, a slightly abridged version of the 2006 programme was put in place to maintain the positive progress achieved in those first three years.

The NZRU's formal review measured actual outcomes over the term of the first CRP against its stated targets, timelines and budget. The review also included objective and critical feedback from Provincial Union CEOs, Amateur Rugby Managers, and community rugby organisations such as the New Zealand Schools Rugby Council.

The most important outcome of the CRP was the growth in player, coach and referee numbers that was achieved. The primary measure of participation in community rugby – total player numbers – rose by 17 percent over the course of the CRP which, even allowing for improvements in the registration process, represents real growth in the game. This is an especially positive result compared to many other New Zealand sports, which are reporting falling participation rates. Importantly, total player numbers increased across all age groups, with results ranging from nine percent growth in senior players (20 years or older) to 23 percent growth in junior players (12 years or younger). However, in the short term, player numbers in 2007 dropped by four percent compared to 2006, indicating that a clear and ongoing focus on growing the game is required.

The CRP introduced and soundly established several key and lasting programmes. Ripa Rugby – a safe, easy-to-coach alternative for young players, teachers and parents – proved critical in boosting junior player numbers. The Small Blacks coaching model introduced compulsory courses for coaches of under-13 players and an age-appropriate skill development framework. The Rugby Administrators in Schools scheme (RAIS) provides vital support for rugby programmes in high schools, while Club Liaison Officers (CLOs) assist rugby clubs to improve their operations and provide a vital link between clubs, Provincial Unions and other rugby organisations.

The review also identified areas where progress was poor: no commercial partner was found to support Small Blacks activities, the proposed system for forwarding on the details of players migrating for tertiary education proved difficult to establish, and training courses such as 'Tackle Box' and 'Front Row Factory' were not delivered as frequently as planned. Overall, however, the first CRP was very successful and received very positive feedback from community rugby organisations, participants and stakeholders.

The new CRP, to apply for the period 2008–2011, states three principal objectives:

1. To involve as many people as possible in community rugby, for as long as possible;
2. To improve the quality of the experience for everybody involved in community rugby; and
3. To develop the skills and talents of everybody involved in community rugby.

Initiatives and programmes have been proposed in seven priority areas: Small Blacks rugby, teenage rugby, club development, Rugby World Cup, coaching, refereeing, and Maori rugby. Many of the major initiatives of the first CRP have been retained and are complemented, enhanced or expanded by new supporting activities and programmes.

The new CRP also introduces some important innovations in how community rugby is managed and funded. To encourage Provincial Unions to take a hands-on role in the support of community rugby within their region, the new CRP proposes a contestable fund, from which Unions will be able to apply for project-specific funding, and Provincial Union Community Rugby Plans, which will be drafted by Provincial Unions to help identify and solve problems that are specific to their region. The new CRP also proposes that Provincial Unions contribute to funding decisions around key initiatives, such as the RAIS scheme. Overall, these changes will give the NZRU and Provincial Unions greater flexibility to provide targeted resources and solutions.

Under the first CRP, the NZRU invested \$18 million into the community game, which yielded significant, positive results. The new CRP maintains this funding with \$25 million proposed for community rugby over the next four years. Community rugby in New Zealand now receives a very high level of support, including world-leading programmes and resources, and this support is vital to ensuring that the objective of the NZRU Vision – that the base of the game at community level is healthy and strong – can be achieved.



HIGH PERFORMANCE

Within the NZRU and New Zealand rugby generally, the term 'high performance' is used to describe teams, competitions and support structures that help to identify, develop, encourage and assist players, coaches, referees and other rugby participants who aspire to be the very best.

The High Performance Plan (HPP) was developed in 2004 and implemented in 2005 to introduce and drive high performance programmes and initiatives over the following three years. The plan was reviewed in 2007, before the conclusion of its third year, to bring the high performance programme into step with the Community Rugby Plan and the Rugby World Cup cycle.

A large and varied group of rugby stakeholders contributed to the NZRU's review of the first HPP, including coaches and CEOs from Provincial Unions and Franchises, Academy managers, Player Development Managers, the New Zealand Rugby Players' Association and players themselves, alongside senior management and Board members of the NZRU.

Following the consultative feedback process, each initiative of the HPP was assessed on a 1–10 scale and, overall, the plan received a score of 7.5 out of 10. Successful aspects of the HPP included the effective integration of All Blacks coaches and management with the rest

of the high performance programme, the establishment of the National Academy Manager and Talent Identification roles, the employment of specialist skills coaches, the strength of New Zealand's professional referees squad, and the appointment of a Professional Referee Coach. Aspects identified as weaknesses included the playing programmes established for the Junior All Blacks and New Zealand Maori teams, the inconsistency in high performance and academy programmes from region to region, the difficulty in measuring the outcomes of players' personal development activities, and the shortage of specialist coaching personnel in key areas.

The revised HPP for 2008–2011 retains many of the successful initiatives, and introduces new initiatives to address those areas that are unfulfilled or underdeveloped. However, the number of key strategic areas has been reduced from 10 in the first plan to just four: Integration, Player Development, Coach Development and Support Structures, with initiatives grouped into these four major areas of activity.

The first of these strategic areas, Integration, identifies a potential competitive advantage in New Zealand's relatively small total rugby population, which is often viewed as a disadvantage compared to that of the United Kingdom or France, for example. The HPP has established an important cycle: at the

same time as players and other personnel 'rise upwards', then knowledge, experience, ideas and technical expertise is dispersed 'downwards and outwards' from the elite levels of New Zealand rugby through our teams, competitions, academies, regional camps and training courses. With a compact, close-knit rugby community, New Zealand has the potential to achieve a uniquely high level of cohesion and coordination in its approach to development initiatives and opportunities, focusing on a unified system of core principles, clear aspirational pathways and shared objectives. The idea of integration recognises that the principles and methods of high performance rugby can and should be accessible to anyone in the New Zealand rugby community who wishes to develop their skills or hone their performance.

The NZRU's high performance rugby programme, guided by the HPP and supported by more than \$56 million in funding over the four years of the new plan, provides targeted initiatives, programmes and opportunities designed to inspire, develop and foster the world's best-performing players, coaches and referees. Looking forward, the HPP will ensure that high performance ideas, methods and resources are also available to benefit players at every level of the game, whatever their hopes and aspirations might be.

"With a compact, close-knit rugby community, New Zealand has the potential to achieve a uniquely high level of cohesion and coordination in its approach to development initiatives and opportunities."





PRIORITY 3: ENSURE THE SUCCESS OF THE DOMESTIC COMPETITIONS

In 2006, the NZRU launched two new domestic competitions, the Air New Zealand Cup and the AA Rewards Heartland Championship, providing representative rugby opportunities for professional/semi-professional and amateur players respectively. The decision to fundamentally alter the structure of provincial rugby, which remains an integral part of our landscape, was not taken lightly, and was made following extensive consultation and with the long-term needs of New Zealand rugby in mind.

It was recognised prior to their inauguration and in the NZRU's 2006 Annual Report that these new competitions would take several years to mature. For this reason, the NZRU made changes in 2007 only where absolutely necessary, introducing a modified round robin as part of a two-round, rather than three-round, competition. This adjustment was made primarily to improve the ability of Provincial Unions to confidently plan and manage logistical challenges, such as travel, venue bookings, sponsor activities, match promotions and ticket sales.

It is clear that New Zealand's major competitions are facing a number of critical issues. As discussed in the Chairman's report, New Zealand's competitions experienced a marked decline in fan interest levels in 2007, with the average viewership for Air New Zealand Cup matches on Sky TV falling by 31 percent compared to 2006, and 40 percent compared to 2005. In-ground match attendance figures also declined competition-wide, with a particularly severe drop seen in major urban centres, such as Christchurch, Wellington and Auckland, despite the relatively strong performance of teams in these cities. Fan interest and involvement is a key measure of the success of any sports competition or event and, by this measure, the Air New Zealand Cup, much like the Rebel Sport Super 14 earlier in the year, did not meet the expectations of supporters or stakeholders.

The Competitions Review, which instigated the new provincial competitions, identified genuine competitiveness and the unpredictability of results as a key factor in the attractiveness of a competition to fans and other supporters and stakeholders. The NZRU introduced a salary cap in 2006 as an initiative to encourage a more even distribution of professional rugby players amongst the 14 Air New Zealand Cup teams. However, the competition continues to be dominated, competitively and commercially, by the major Provincial Unions, which are based in urban centres and which host Rebel Sport Super 14 Franchises.

The average victory margin in Air New Zealand Cup matches increased in 2007, indicating an overall drop in competitiveness, and with the exception of Hawke's Bay in 2007 no non-Franchise host province has contested an Air New Zealand Cup semifinal match. While recognising that the salary cap is designed to achieve long-term rather than immediate results, this competitive imbalance has a real and significant effect on the health of the competition and of the participating teams.

Ultimately, the health of our Provincial Unions may be the most significant challenge facing our competitions. A number of Unions have experienced financial difficulties, which affect the strength and competitiveness of their representative teams and the stability of their general administrative and operational structures. It is not clear whether the existing number of Provincial Unions and teams is sustainable, either financially or competitively, particularly in the Air New Zealand Cup competition. The NZRU has worked alongside several Unions to identify short-term solutions to the challenges facing their operational and financial survival. However, looking ahead, organisations throughout the New Zealand rugby community, the NZRU included, must make sensible decisions to balance short-term competitive needs with long-term issues of stability and sustainability.

However, despite these issues, the 2007 competitions again demonstrated their importance to New Zealand rugby and provided some real highlights.

As it had in 2006, the Air New Zealand Cup provided valuable experience and exposure for a host of young, talented players. The strength of the Air New Zealand Cup as a testing ground for new talent was proven in November, when a total of 28 players earned their first Rebel Sport Super 14 contracts.

Hawke's Bay became the first of the four teams promoted to the top flight in 2006 to make the Air New Zealand Cup playoffs, knocking out defending champions Waikato at the quarterfinal stage before falling to eventual 2007 champions Auckland in the semifinal. Off the field, the Magpies demonstrated the amazing ability of rugby to galvanize a community, as Hawke's Bay fans rallied in support of their team. However, Auckland proved to be the outstanding performer of the Air New Zealand Cup competition, becoming the first team in 17 years to capture the Ranfurly Shield and Air New Zealand Cup trophies in the course of an undefeated championship season.



Elsewhere, North Otago and Poverty Bay claimed the Meads and Lochore Cups respectively, at the conclusion of a lively, entertaining AA Rewards Heartland Championship competition. The innovative competition structure, including seeded Meads and Lochore Cup pools, ensures tough, competitive matches and provides the opportunity for every team to contest for a playoff spot.

In February 2007, the NZRU announced its decision to limit to four the number of loan players in AA Rewards Heartland Championship teams, a decision that was later upheld by the NZRU Appeal Council, following an appeal by four affected Unions. The limit on loan players will be reduced incrementally over coming seasons, in a move designed to encourage as many club players as possible to aspire to wear their local representative jersey. The development and involvement of local players, and their connection with their communities and local fans, is a key element in the very special rugby experience – perhaps unique to New Zealand – that is the AA Rewards Heartland Championship.

Off the field, the NZRU introduced a range of support initiatives to encourage and assist all of the competitions' participants and providers to meet very high standards in operational delivery. This focus reflects the importance to the new competitions' success of effective planning and execution in the off-field activities and tasks that are involved in managing players, teams, matches and other competition-related functions. In these respects, the new competitions have raised the bar for New Zealand rugby.

In 2008, the NZRU will conduct a comprehensive review of New Zealand's national domestic competitions and the Provincial Union and Franchise structures that underpin those competitions. This review was a requirement of the initial Competitions Review and will focus on ensuring that our competitions remain relevant, attractive, competitive and sustainable.



"Organisations throughout the New Zealand rugby community must make sensible decisions to balance short-term competitive needs with long-term issues of stability and sustainability."

PRIORITY 4: DEVELOP AND EXECUTE IDENTIFIED BUSINESS DEVELOPMENT INITIATIVES



Business development has, over the past two years, become a key area of work for the NZRU. In the face of increasing costs and ongoing foreign exchange pressure, the ability to generate new sources of revenue for the NZRU and, consequently, for New Zealand rugby generally is critically important.

Business development ventures, by their nature, have a high degree of uncertainty in their outcomes – while the NZRU is able to identify and investigate opportunities, there are no guarantees it can convert all of those possibilities into revenue. Despite these challenges, the NZRU was, in 2007, able to secure some significant gains, with a combined value to New Zealand rugby of several million dollars over coming years.

Part of the new revenue programme has taken the form of expansions or enhancements to existing activities, such as hospitality and retail.

Throughout 2007, the NZRU promoted and hosted hospitality events around All Blacks Test matches, at home and offshore, and both prior to and during the Rugby World Cup. In light of some positive results, the NZRU teamed up with its key hospitality partners to lodge a strong bid for hospitality rights for Rugby World Cup 2011. However, this bid was ultimately unsuccessful, with the contract being awarded to the incumbent provider.

Meanwhile, adidas opened the world's first exclusive adidas–All Blacks store in May at Auckland International Airport. The store is performing well, with the NZRU benefiting from increased merchandise sales and excellent exposure in a pedestrian-heavy location. Moreover, the potential exists for the NZRU to team up with adidas to investigate the expansion of this concept further.

The NZRU's partnership with adidas delivered some outstanding results in 2007, including a record level of product royalties from the sale of licensed product. In a strong sign of their commitment to the partnership, adidas expanded both the range of All Blacks licensed products available and the territories in which those products were sold, with a focus on opportunities around the Rugby World Cup tournament in France. This resulted in an increase of 105 percent in royalties compared to 2005, the previous year in which the All Blacks participated in a major international rugby event, the DHL New Zealand Lions Series.

In addition to these incremental gains, several new initiatives have generated entirely new revenue opportunities.

Even in the wake of their disappointing Rugby World Cup result, the All Blacks continue to be one of world rugby's premier drawcards and, late in 2007, the NZRU was able to confirm two additional Test fixtures for 2008, against Australia in Hong Kong and England in London. Each has the potential to generate substantial revenue for New Zealand rugby, as these matches have been organised independently of the IRB's Test match schedule but with IRB approval, allowing the NZRU to negotiate the commercial terms of its involvement.

As a major stand-alone Test match in a neutral venue, the Hong Kong Test will create a series of operational and logistical challenges. However, it also reflects the NZRU's desire to push the boundaries of New Zealand rugby outwards into exciting new markets. The All Blacks have many fans in Asia, and the Hong Kong Test will provide an excellent opportunity to recognise, reward and involve those fans. However, looking further ahead, the NZRU must take care to balance the opportunities provided by All Blacks matches against an increasingly busy international schedule.

The NZRU highly values its team of sponsors and commercial partners and the vital contribution they make. Air New Zealand, Ford, Lion Breweries through Steinlager, and Philips have supported the All Blacks and New Zealand rugby since the advent of professionalism and, in some cases, even earlier. In 2007, Coca-Cola and MasterCard both renewed their relationships with the All Blacks and the NZRU through to Rugby World Cup 2011 and beyond. An extended agreement with Sanitarium and Weet-Bix will, in a broadening of its long association with the All Blacks, introduce a new focus in 2008 on supporting the NZRU's community rugby activities. These renewed and enhanced agreements reflect the positive reciprocal benefits for New Zealand rugby and its commercial partners from strong, well established working relationships.

However, the New Zealand sponsorship market has matured and is now challenged by the relatively small size of the local economy. On the one hand, the NZRU is limited in the rugby properties and market opportunities it is able to offer to its partners. On the other, those commercial partners are ultimately limited in the resources that they are able to sensibly invest in leveraging their relationship with the game solely within New Zealand. Recognising these constraints, the NZRU continues to explore the market for potential international partners who could benefit on a global scale from an association with the All Blacks and New Zealand rugby.

In January 2007, the NZRU announced that Iveco, an international heavy commercial vehicle manufacturer and subsidiary of the Fiat Group, had been appointed as an Official Global Sponsor of the All Blacks. This significant new agreement, signed through to the end of 2010, reflects the high level of international interest in the All Blacks, and the strength and appeal



of the All Blacks brand in the global market. Iveco has previously participated in several major sports sponsorships, including Ferrari Formula 1, Juventus football club and the 2006 Winter Olympic Games in Turin.

In addition to direct sponsorship revenue, the All Blacks and New Zealand rugby benefit from the international exposure provided by Iveco's high-profile, wide-reaching marketing activities. Iveco invested heavily in their 2007 'Built the same way' campaign, which focused on the link between All Blacks team attributes and the brand values of Iveco. This campaign hit markets across Europe, especially around showcase events such as the America's Cup in Valencia, Spain, European rounds of the Formula 1 Championship and the Rugby World Cup in France.

As a major event in a large commercial marketplace, the Rugby World Cup provided further opportunities to introduce New Zealand's rugby brands to an international audience. In 2007, the NZRU entered into one-year licensed promotion agreements with Masterfoods/Snickers and Coca-Cola France/Powerade that were confined to the French market only and appeared leading up to and during the Rugby World Cup tournament. These kinds of targeted short-term commercial relationships provide worthwhile new revenue for New Zealand rugby and also a valuable way to connect with international fans of the All Blacks.

The outlook for the NZRU's business development programme is both positive – the NZRU and New Zealand rugby is increasingly visible in and relevant to the global sports and commercial markets – and challenging. Without question, a great deal of hard work is required to realise the opportunities that are identified. But in light of the broader financial challenges facing the game in our country, it is a challenge the NZRU must and will face confidently.

PRIORITY 5: REDUCE BUDGETED EXPENSES BY \$2 MILLION

Throughout 2007, the NZRU faced the challenges of a strong New Zealand dollar trading at levels significantly higher than post-float and 10-year averages. In a calculated response to these financial conditions, the fifth priority was announced in February.

The loss of \$4.8 million in 2006 was largely attributable to the effects of the significant and rapid rise in the value of the New Zealand dollar over the last quarter of that year, to 71 cents against the US dollar at year-end, and the budget for 2007 was finalised before the worst effects of the currency surge became apparent. By February 2007, the possibility that the New Zealand dollar would sustain its value, and the consequent risks to the NZRU's financial situation, became clear. At this point, the NZRU faced a forecast loss of as much as \$10 million, under the prevailing conditions.

As discussed in the Chief Executive Officer's report, the NZRU managed to reduce this risk dramatically by taking out advantageous forward foreign exchange hedging contracts in August. However, the expense reduction programme initiated under the fifth priority also had a substantial impact on the relatively modest year-end loss of \$1.7 million.

In total, the NZRU reduced its budgeted expenses by \$2.5 million, which exceeded the target of \$2 million in savings. Crucially, these savings were achieved with little effect on core rugby activities, with no reductions in funding to competitions or Provincial Unions. Also, the programme of savings did not affect preparations for either the All Blacks' Rugby World Cup 2007 campaign or New Zealand's hosting of Rugby World Cup 2011. Fundamentally, the fifth priority issued a challenge to NZRU Board and staff to deliver a full schedule of budgeted activities in a more efficient but equally effective manner.

The NZRU identified a range of operational areas in which reductions could be made to non-essential spending, primarily in organisational overheads including day-to-day business costs, travel and events-related costs. While redundancies were not required, performance-related wage increases for staff were frozen and overall head-count was managed carefully. With respect to rugby-related functions, the most significant savings were achieved in marketing and commercial-related activities, including Rugby World Cup-related promotions.

The decision to introduce the programme of cost cutting proved to be a prudent one, as the New Zealand dollar exceeded expectations to remain strong throughout the year and finish with a value at year-end of 77 cents against the US dollar. Ultimately, the fifth priority played a vital part in the NZRU's management of its finances in the face of such unfavourable conditions.

The NZRU's drive to reduce its expenses was bolstered by a high level of cooperation and support from New Zealand rugby organisations and stakeholders. Our collective ability to make meaningful and sustainable reductions in expenditure is a timely demonstration of the firm resolve that, in light of ongoing financial challenges, will be required of the whole New Zealand rugby community in 2008 and beyond.

OBITUARIES

JOHN BURNS BUXTON



Born 31 October 1933 at Auckland – Died 3 October 2007 at Auckland
All Black No 573 • 1955, 1956

Flanker John Buxton played in two Tests for the All Blacks, the third Test against Australia in 1955 and the first against South Africa in 1956. As a member of 1956 Canterbury and New Zealand Universities sides, Buxton had the rare honour of beating the touring Springboks with three different teams that year. He enjoyed a short but distinguished first-class career, representing Manawatu, Canterbury, Otago and Auckland – during which time both South Island provinces held the Ranfurly Shield – before leaving the game at the age of just 24.

JOHN LAW COLLINS



Born 1 February 1939 at Tokomaru Bay – Died 29 May 2007 at Gisborne
All Black No 647 • 1964, 1965

John Collins was first selected for an All Blacks Trial in 1959, after just one first-class representative game for Poverty Bay, for whom he played all of his provincial rugby. However, in a career disrupted by injury and military service, the strong-running, hard-tackling midfield back earned just three Test caps, making his debut against Australia at Dunedin in 1964 and appearing in the first and fourth Tests against South Africa in 1966. Collins was a regular in the New Zealand Maori side, making 12 appearances between 1964 and 1966.

BARRY PETER EASTGATE



Born 10 July 1927 at Nelson – Died 15 December 2007 at Christchurch
All Black No 537 • 1952, 1953

Canterbury prop Peter Eastgate earned 17 caps for the All Blacks, including three Tests. He played in 15 matches on the All Blacks' '53-'54 tour to the UK, France and North America, as one of three to share the loosehead role opposite tighthead stalwart Kevin Skinner. Described variously as "rugged and powerful", "fearless and vigorous", "tigerish and energetic", Eastgate embodied the qualities of the keen hill-country hunting and fishing man that he was.

PAT JAMES GILL



Born 13 December 1936 at Wellington – Died 23 March 2007 at Manakau
NZRU Executive Committee • 1975–1983 / All Blacks Manager • 1981

Pat Gill was an executive committee member of the then-NZRFU between 1975–1983, and served as All Blacks Manager on the team's tour to Romania and France in 1981. He also managed several national age-group teams during his time on the NZRFU committee, and the All Blacks team that played Fiji in New Zealand in 1980. A school and club player in the Wellington region, Gill later served on the Wellington RU management committee and as manager for the representative team.

KEITH ERIC GUDSELL



Born 19 October 1924 at Wanganui – Died 7 July 2007 at Hamilton
All Black No 500 • 1949

Keith Gudsell was selected for the All Blacks' tour to South Africa in 1949, after showing excellent form for a strong Wanganui side. However, after an outstanding debut against South Western Districts, a leg injury suffered in his second match restricted the incisive five-eighth to just six appearances on tour, none of which were internationals. After moving to Australia in 1950 to further his studies in veterinarian science, unavailable in New Zealand at the time, Gudsell played in three Tests for the Wallabies, all losses to the 1951 touring All Blacks side.

RONALD HUGH HORSLEY



Born 4 July 1932 at Wellington – Died 20 December 2007 at Rotorua
All Black No 610 • 1960, 1963

Ron Horsley came to rugby late in life, picking up the game at the age of 19. However, he went on to earn selection for the two biggest tours of his era – in 1960 to South Africa and the '63-'64 tour to the UK, France and Canada. Tall and strong, the looming lock earned 31 caps in total, including the last three Tests against the Springboks in 1960. Like fellow second-rower Stan Meads, his '63-'64 tour was disrupted by an appendectomy, causing 'Honest Ron' to miss 14 games including all three internationals.

DAVID HOWARD MILLAR



Born 25 March 1932 at Dunedin – Died 31 August 2007 at Wanaka
Test referee • 1965, 1968, 1977, 1978

Dave Millar officiated in 70 first-class matches between 1961–1980, including nine Ranfurly Shield fixtures and eight Test appointments. Notably, Millar was the last New Zealand referee to control an All Blacks series, officiating in all three Tests of the 1978 series against the Wallabies. His only overseas appointment came in the same year, refereeing Tonga v Samoa in Tonga. Later in his career, Millar served as chairman of the New Zealand Rugby Referees' Association between 1987–1991 and was elected a life member in 1992.

BERNARD SYDNEY SADLER



Born 28 July 1914 at Wellington – Died 24 June 2007 at Wellington
All Black No 414 • 1935, 1936

'Joey' Sadler burst onto the New Zealand rugby scene in 1934, earning selection at the age of 20 for the All Blacks' epic '35-'36 tour to the UK and North America. A small halfback by today's standards (1.65m, 63kg), he was deceptively strong – the *Times* of London wrote that "his hand-off had to be seen to be believed" – and dominated his position with quick passing, sharp running and resolute defence. Before a knee injury ended his playing career in 1937, he earned 19 All Blacks caps in all, including five Tests.

PATRICK TIMOTHY WALSH



Born 6 May 1936 at Kaitiaki – Died 23 November 2007 at Auckland
All Black No 569 • 1955–1959, 1963

Versatile Counties back Pat Walsh earned 13 Test caps amongst 27 All Blacks appearances in total, lining up at every position from second five-eighth out. On debut in 1955, Walsh became the second-youngest All Black at that point, playing at second five-eighth against Australia. He shifted to fullback for the remainder of the series, and following Don Clark's emergence in 1957 continued as a Test regular at centre or wing until 1959, before a injury-shortened recall for the '63-'64 tour to the UK. By the close of his career, Walsh had earned a reputation as a passionate, influential rugby man and leader and, in the words of the *Rugby Almanack*, "the ultimate team man".

ON-FIELD RESULTS



ALL BLACKS

IVECO SERIES

Date	Opponent	Result	Venue
2 June	France	42–11	Auckland
9 June	France	61–10	Wellington
16 June	Canada	64–13	Hamilton

PHILIPS TRI NATIONS

Date	Opponent	Result	Venue
23 June	South Africa	26–21	Durban
30 June	Australia	15–20	Melbourne
14 July	South Africa	33–6	Christchurch
24 July	Australia	26–12	Auckland

OTHER PHILIPS TRI NATIONS RESULTS

Date	Result	Venue
16 June	South Africa 22, Australia 19	Cape Town
7 July	Australia 25, South Africa 17	Sydney

PHILIPS TRI NATIONS STANDINGS

	Won	Lost	For	Against	Bonus	Points
New Zealand	3	1	100	59	1	13
Australia	2	2	76	80	1	9
South Africa	1	3	66	103	1	5

RUGBY WORLD CUP

Date	Opponent	Result	Venue
8 September	Italy	76–14	Marseille
15 September	Portugal	108–13	Lyon
23 September	Scotland	40–0	Edinburgh
29 September	Romania	85–8	Toulouse

Quarterfinal

6 October	France	18–20	Cardiff
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Daniel Carter (Canterbury, 9 caps in 2008), Jerry Collins (Wellington, 10), Andrew Ellis (Canterbury, 2), Nick Evans (Otago, 8), Ross Filipo (Wellington, 3*), Troy Flavell (Auckland, 5), Rico Gear (Tasman, 2*), Carl Hayman (Otago, 10), Andrew Hore (Taranaki, 7), Doug Howlett (Auckland, 7), Chris Jack (Tasman, 10), Byron Kelleher (Waikato, 8), Sione Lauaki (Waikato, 4), Brendon Leonard (Waikato, 9), Luke McAlister (North Harbour, 10), Richie McCaw (Canterbury, 11), Leon MacDonald (Canterbury, 8), Chris Masoe (Wellington, 10), Aaron Mauger (Canterbury, 7), Keven Mealamu (Auckland, 9), Mils Muliaina (Waikato, 8), Ma'a Nonu (Wellington, 2*), Anton Oliver (Otago, 8), Greg Rawlinson (North Harbour, 1*), Keith Robinson (Waikato, 4), Josevata Rokocoko (Auckland, 9), John Schwalger (Wellington, 1), Sitiveni Sivivatu (Waikato, 9), Conrad Smith (Wellington, 5), Greg Somerville (Canterbury, 2), Rodney So'oialo (Wellington, 10), Reuben Thorne (Canterbury, 5), Neemia Tialata (Wellington, 9), Isaia Toeava (Auckland, 10), Piri Weepu (Wellington, 5), Ali Williams (Auckland, 6), Tony Woodcock (North Harbour, 10)

Coach: Graham Henry. **Assistant Coach:** Steve Hansen. **Assistant Coach:** Wayne Smith. **Manager:** Darren Shand. **Selector:** Sir Brian Lochore.

Richie McCaw captained the All Blacks in nine of 12 Tests in 2007. Reuben Thorne captained the side against Canada at Hamilton; Jerry Collins led the team against Portugal and Romania at the Rugby World Cup.

* Added to initial squad



JUNIOR ALL BLACKS

● WINNERS OF THE IRB PACIFIC NATIONS CUP

IRB PACIFIC NATIONS CUP

Date	Opponent	Result	Venue
26 May	Samoa	31–10	Apia
2 June	Fiji	57–8	Suva
9 June	Tonga	39–13	Nuku'alofa
16 June	Australia A	50–0	Dunedin
23 June	Japan	51–3	Tokyo

IRB PACIFIC NATIONS CUP STANDINGS

	Won	Drew	Lost	For	Against	Bonus	Points
Junior All Blacks	5	0	0	228	34	5	25
Australia A	3	1	1	172	104	2	16
Samoa	3	0	2	96	67	1	13
Fiji	1	1	3	70	115	3	9
Tonga	1	0	4	69	184	1	5
Japan	1	0	4	51	482	0	4

John Afoa (Auckland), Daniel Braid (Auckland), Stephen Brett (Canterbury), Jimmy Cowan (Southland), Wyatt Crockett (Canterbury), Clarke Dermody (Southland), Stephen Donald (Waikato), Tom Donnelly (Otago*), Andrew Ellis (Canterbury), Ross Filipo (Wellington), Corey Flynn (Canterbury), Rico Gear (Tasman), Scott Hamilton (Canterbury), Marty Holah (Waikato), Cory Jane (Wellington), Campbell Johnstone (Canterbury), Jerome Kaino (Auckland), Tone Kopelani (Wellington*), Sione Lauaki (Waikato*), Casey Laulala (Canterbury), Hoani MacDonald (Southland), Ma'a Nonu (Wellington), Greg Rawlinson (North Harbour), Kieran Read (Canterbury), Mose Tuiali'i (Canterbury), Tane Tu'ipulotu (Wellington*), Anthony Tuitavake (North Harbour), Sam Tuitupou (Auckland), Derren Witcombe (Auckland), Rudi Wulf (North Harbour)

Co-Coach: Colin Cooper. **Co-Coach:** Ian Foster. **Manager:** Gary Carnachan.

* Added to initial squad



NEW ZEALAND MAORI

Date	Opponent	Result	Venue
Churchill Cup			
25 May	Canada	59–23	Northampton
29 May	Ireland A	50–22	Exeter
Final			
2 June	England Saxons	13–17	London

Callum Bruce (Otago), Keith Cameron (Otago), Aled de Malmanche (Waikato), Tamati Ellison (Wellington), Hosea Gear (Wellington), Brendan Haami (Taranaki†), Jarrad Hoeata (Taranaki*), Glen Horton (Otago), Jason Kawau (Southland), Tanerau Latimer (Bay of Plenty), Angus Macdonald (Auckland), Luke Mahoney (Wellington), Ben May (Tasman), Liam Messam (Waikato†), Kristian Ormsby (Counties Manukau), Shannon Paku (Wellington), James Rodley (North Harbour*), Isaac Ross (Canterbury), Warren Smith (Bay of Plenty), Chris Smylie (Otago), Dwayne Sweeney (Waikato), Anthony Tahana (Bay of Plenty), Pehi Te Whare (Southland), Rua Tipoki (Canterbury), Hayden Triggs (Manawatu), Hoani Tui (Wellington), Scott Waldrom (Taranaki), Craig West (Waikato)

Coach: Donny Stevenson. **Assistant Coach:** Shane Howarth. **Manager:** Peter Potaka.

* Added to initial squad; † Did not take the field



NEW ZEALAND UNDER 21

Date	Opponent	Result	Venue
21 June	Canada	13–16	Rotorua

David Bason (Waikato), Tim Bateman (Canterbury), Josh Bekhuis (Southland), Daniel Bowden (Northland), James Broadhurst (Canterbury), Tom Chamberlain (North Harbour), Dane Coles (Wellington), Nick Crosswell (Manawatu[†]), Charlie Faumuina (Auckland), Owen Franks (Canterbury), Brenton Helleur (Auckland[†]), Vern Kamo (Waikato), Sekope Kepu (Counties Manukau), John Legg (Canterbury*), Faifili Levave (Wellington), Chris Lowrey (Auckland), Lance MacDonald (Bay of Plenty*), Lelia Masaga (Counties Manukau), Lachie Munro (Auckland), James Paterson (Canterbury[†]), George Pisi (North Harbour), Leon Power (Taranaki*), Male Sa'u (Counties Manukau[†]), Colin Slade (Canterbury), Ben Smith (Otago), Victor Vito (Wellington[†]), Chris Walker (Taranaki*), George Whitelock (Otago)

Coach: Greg Cooper. **Assistant Coach:** Milton Haig. **Assistant Coach:** Russell Hilton-Jones. **Manager:** Grant Hubbard.

* Added to initial squad; [†] Did not take the field



NEW ZEALAND UNDER 19

• WINNERS OF THE IRB UNDER 19 WORLD CHAMPIONSHIP

IRB UNDER 19 WORLD CHAMPIONSHIP

Date	Opponent	Result	Venue
5 April	Wales	37–14	Belfast
9 April	Japan	107–6	Belfast
13 April	England	34–13	Belfast
Semifinal			
17 April	Wales	36–12	Belfast
Final			
21 April	South Africa	31–7	Belfast

Ben Afeaki (North Harbour), Rodney Ah You (Canterbury), Nicholas Barrett (Southland), Luke Braid (Bay of Plenty), Matthew Cameron (Waikato), Ryan Crotty (Canterbury), Thomas Crowley (Taranaki), Israel Dagg (Hawke's Bay), Ash Dixon (Canterbury), Paea Fa'anunu (Auckland), Robert Fruean (Wellington), Zac Guildford (Hawke's Bay), John Hardie (Southland), Daniel Kirkpatrick (Wellington), Quentin MacDonald (Tasman), Sean Maitland (Canterbury), Nasi Manu (Canterbury), Wayne Ngaluafu (Auckland), Kade Poki (Tasman), Trent Renata (Waikato), Peter Saili (Auckland), Chris Smith (North Harbour), Winston Stanley (Auckland), Josh Townsend (Otago), Samuel Whitelock (Manawatu), Jackson Willison (Waikato)

Coach: Kieran Crowley. **Assistant Coach:** Dennis Brown. **Assistant Coach:** Richard Smith. **Manager:** Mike Sandle.



NEW ZEALAND SCHOOLS

Date	Opponent	Result	Venue
2 October	Samoa Schools	46–0	Gosford
5 October	Australia A Schools	15–7	Sydney
9 October	Australia Schools	17–23	Sydney

Nicholas Annear (Timaru BHS), Kane Barrett (Francis Douglas Memorial College), Joshua Blucher (Takapuna Grammar), Trent Boswell-Wakefield (Napier BHS), Ben Botica (Westlake BHS), Mitchell Campbell (New Plymouth BHS), Jason Church (Hamilton BHS), Todd Curtis (Francis Douglas Memorial College), Elliot Dixon (St Bede's College), Daniel Faleafa (Mt Albert Grammar), Ma'afu Fia (Palmerston North BHS), Sean Halaholo (Mt Albert Grammar), TJ Ioane (Wellington College), Willie Ioane (Palmerston North BHS), Murray Iti (Hamilton BHS), Tawera Kerr-Barlow (Hamilton BHS), Patrick Leafa (Sacred Heart College), Fa'atiga Lemalu (De La Salle College), Rick McKenna (Francis Douglas Memorial College), Jason Morgan (St Bede's College*), Tim Nanai-Williams (Manurewa HS[†]), Michael Newman (Timaru BHS), Charlie Ngatai (Gisborne BHS), Brendon O'Connor (Gisborne BHS), Robert Robinson (Southland BHS), Mason Rosvall (Christchurch BHS*), Alex Ryan (St Bede's College), Pomare Samupo (Gisborne BHS), Buxton Leutulava (Wellington College[†]), Julian Savea (Rongotai College)

Coach: Grant Hansen. **Assistant Coach:** Darryl Davies. **Assistant Coach:** Paul Martin. **Manager:** Darryl Leath.

* Added to initial squad; [†] Did not take the field



BLACK FERNS

Date	Opponent	Result	Venue
16 October	Australia	21–11	Wanganui
20 October	Australia	29–12	Porirua

Fa'anati Aniseko (Auckland), Victoria Blackledge (Auckland), Kendra Cocksedge (Canterbury), Monalisa Codling (Auckland), Amy Farr (Wellington), Fiao'o Fa'amausili (Auckland), Victoria Heighway (Auckland), Carla Hohepa (Otago), Linda Itunu (Auckland), Emma Jensen (Auckland), Justine Lavea (Auckland), Vaniya Lavea (Auckland), Ruth McKay (Manawatu), Beth Mallard (Otago), Huriana Manuel (Auckland), Poinisitia Paasi (Wellington), Anna Richards (Auckland), Claire Richardson (Otago), Vita Robinson (Auckland), Melissa Ruscoe (Canterbury), Kimberley Smith (Canterbury), Aimee Sutorius (Wellington), Teresa Te Tamaki (Auckland), Waimania Teddy (Auckland), Anika Tiplady (Manawatu), Kathleen Wilton (Otago)

Coach: Dale Atkins. **Assistant Coach:** Warwick Taylor. **Manager:** Cate Sexton.



NEW ZEALAND SEVENS

• WINNERS OF THE 2006–2007 IRB SEVENS WORLD SERIES

Date	Tournament	Quarterfinal	Semifinal	Final
1–2 December 2006	Dubai	beat Canada 31–0	beat Fiji 17–12	lost to South Africa 12–31
8–9 December 2006	George	beat France 29–0	beat Fiji 29–12	beat South Africa 24–17
2–3 February 2007	Wellington	beat England 14–7	lost to Fiji 0–31	–
10–11 February 2007	San Diego	beat England 19–7	lost to Fiji 10–19	–
30 March–1 April 2007	Hong Kong	beat England 26–0	lost to Fiji 12–21	–
7–8 April 2007	Adelaide	beat Scotland 40–14	lost to Fiji 17–24	–
26–27 May 2007	London	beat South Africa 14–0	beat Samoa 19–0	beat Fiji 29–7
2–3 June 2007	Edinburgh	beat South Africa 19–12	beat Wales 28–0	beat Samoa 34–5

Ben Atiga (Auckland), Charles Baxter (Bay of Plenty), Tomasi Cama (Manawatu), Edwin Cocker (Auckland), DJ Forbes (Auckland), Jarrad Hoeata (Taranaki), Nigel Hunt (Wellington), Tafai Ioasa (Hawke's Bay), Solomon King (Bay of Plenty), Roy Kinikinilau (Waikato), Zar Lawrence (North Harbour), Lachie Munro (Auckland), Afeleke Pelenise (Tasman), Lote Raikabula (Hawke's Bay), Rene Ranger (Northland), Willie Rickards (Southland), Alando Soakai (Otago), Adam Thomson (Otago), Nick Thomson (Canterbury), Scott Waldrom (Taranaki), Steven Yates (Canterbury)

Coach: Gordon Tietjens. **Manager:** Ross Everiss.



NEW ZEALAND HEARTLAND XV

The 2007 New Zealand Heartland XV did not take the field. The following 22 players were presented with New Zealand Heartland XV jerseys in recognition of their outstanding performances during the 2007 AA Rewards Heartland Championship.

Brenton Connell (Mid Canterbury), James Cullimore (South Canterbury), Jon Dampney (Mid Canterbury), Aarin Dunster (King Country), Kilifi Fangupo (North Otago), Jason Gill (Mid Canterbury), Joe Harwood (Wairarapa Bush), Ross Hay (North Otago), Colin Hovell (Poverty Bay), Steele Koro (Wanganui), Scott Leighton (Poverty Bay), Malasia Lokeni (Horowhenua Kapiti), Jared McClutchie (Poverty Bay), Hamish McKenzie (Wairarapa Bush), Scott Mayhew (North Otago), Peter Rowe (Wanganui), Tobias Sekona (North Otago), Taua Taha'afe (North Otago), Kahu Tamatea (Poverty Bay), Mike Thompson (Wanganui), Fa'aitu Tuamoheloa (North Otago), Mark Tutton (South Canterbury)

Selectors: Earl Kirton (convener), Ross Cooper (2006 New Zealand Heartland XV Coach), John Chapman (South Canterbury), Paul Feeney (Poverty Bay), Milton Haig (Wanganui), Mike Mullins (North Otago).



REBEL SPORT SUPER 14 2007

	P	W	D	L	F	A	B4	B7	Pts
Sharks	13	10	–	3	355	214	5	–	45
Bulls	13	9	–	4	388	223	5	1	42
Crusaders	13	8	–	5	382	235	7	3	42
Blues	13	9	–	4	355	235	4	2	42
Brumbies	13	9	–	4	234	173	2	2	40
Chiefs	13	7	1	5	373	321	5	5	40
Western Force	13	6	1	6	276	292	3	3	32
Hurricanes	13	6	–	7	247	300	2	1	27
Highlanders	13	5	–	8	235	301	3	4	27
Stormers	13	6	–	7	249	326	3	–	27
Cheetahs	13	4	1	8	265	342	2	2	22
Lions	13	5	–	8	175	284	–	2	22
NSW Waratahs	13	3	1	9	266	317	2	5	21
Queensland Reds	13	2	–	11	201	438	–	3	11

Semifinals

Sharks 34, Blues 18
Bulls 27, Crusaders 12

Final

Bulls 20, Sharks 19



AIR NEW ZEALAND CUP 2007

	P	W	D	L	F	A	B4	B7	Pts
Auckland	10	10	–	–	371	145	8	–	48
Canterbury	10	9	–	1	351	135	6	–	42
Wellington	10	8	–	2	354	172	6	1	39
Hawke's Bay	10	7	–	3	252	221	5	1	34
Waikato	10	6	–	4	289	231	3	1	28
Southland	10	6	–	4	231	203	1	1	26
Otago	10	5	1	4	213	273	1	1	24
Taranaki	10	4	–	6	218	234	3	4	23
North Harbour	10	4	2	4	222	267	2	–	22
Northland	10	3	1	6	206	214	1	4	19
Tasman	10	2	–	8	184	263	–	4	12
Manawatu	10	2	1	7	158	331	1	–	11
Bay of Plenty	10	1	–	9	155	297	2	3	9
Counties Manukau	10	–	1	9	130	348	–	–	2

Quarterfinals

Wellington 45, Southland 3
Canterbury 44, Otago 6
Auckland 30, Taranaki 10
Hawke's Bay 38, Waikato 35

Semifinals

Wellington 26, Canterbury 21
Auckland 38, Hawke's Bay 3

Final

Auckland 23, Wellington 14



AA REWARDS HEARTLAND CHAMPIONSHIP 2007

Pool A	P	W	D	L	B4	B7	Pts	Pool B	P	W	D	L	B4	B7	Pts
Mid Canterbury	5	3	-	2	2	1	15	North Otago	5	5	-	-	3	-	23
Wairarapa Bush	5	3	-	2	2	1	15	Buller	5	4	-	1	1	-	17
King Country	5	3	-	2	1	1	14	Wanganui	5	3	-	2	2	1	15
West Coast	5	3	-	2	1	-	13	Poverty Bay	5	2	-	3	-	2	10
Thames Valley	5	2	-	3	1	1	10	South Canterbury	5	1	-	4	-	1	5
Horowhenua Kapiti	5	1	-	4	-	-	4	East Coast	5	-	-	5	-	1	1
Meads Cup	P	W	D	L	B4	B7	Pts	Lochore Cup	P	W	D	L	B4	B7	Pts
North Otago	8	6	-	2	4	1	29	Poverty Bay	8	5	-	3	2	2	24
Mid Canterbury	8	6	-	2	3	1	28	South Canterbury	8	4	-	4	2	-	19
Wanganui	8	5	-	3	4	2	26	West Coast	8	4	-	4	1	-	17
Wairarapa Bush	8	5	-	3	2	1	23	Thames Valley	8	2	-	6	1	3	12
Buller	8	5	-	3	1	1	22	East Coast	8	2	-	6	2	1	11
King Country	8	3	-	5	1	1	14	Horowhenua Kapiti	8	1	-	7	1	1	6
Semifinals								Semifinals							
Wanganui 18, Mid Canterbury 12								South Canterbury 31, West Coast 23							
North Otago 30, Wairarapa Bush 13								Poverty Bay 65, Thames Valley 3							
Meads Cup Final								Lochore Cup Final							
North Otago 25, Wanganui 8								Poverty Bay 38, South Canterbury 35							

MEN'S 'B' COMPETITION 2007

Pool A	P	W	D	L	B4	B7	Pts	Pool B	P	W	D	L	B4	B7	Pts
Taranaki	6	6	-	-	5	-	29	Canterbury	6	5	-	1	5	1	25
Otago	6	5	-	1	4	1	25	Waikato	6	4	-	2	4	1	21
Tasman	6	3	-	3	3	2	17	Counties Manukau	6	4	-	2	4	1	21
Bay of Plenty	6	3	-	3	3	1	16	Auckland	6	3	-	3	4	1	17
Wellington	6	3	-	3	3	1	16	Hawke's Bay	6	2	-	4	2	2	12
Manawatu	6	1	-	5	1	1	6	Southland	6	2	-	4	2	1	11
North Harbour	6	-	-	6	1	2	2	Northland	6	1	-	5	5	1	10
Semifinals								Semifinals							
Canterbury 45, Otago 15								Canterbury 33, Waikato 20							
Taranaki 32, Waikato 12								Canterbury 44, Hawke's Bay 6							
Final								Final							
Taranaki 18, Canterbury 15								Auckland 26, Canterbury 15							

RANFURLY SHIELD

Date	Result	Venue
30 June	North Harbour 69, Thames Valley 0	Albany
14 July	North Harbour 99, Horowhenua Kapiti 6	Albany
4 August	North Harbour 19, Taranaki 13	Albany
25 August	Waikato 52, North Harbour 7	Albany
1 September	Canterbury 33, Waikato 20	Hamilton
7 September	Canterbury 44, Hawke's Bay 6	Christchurch
29 September	Auckland 26, Canterbury 15	Christchurch

WOMEN'S CHAMPIONSHIP 2007

	P	W	D	L	BP	Pts
Auckland	5	5	–	–	4	24
Canterbury	5	3	–	2	2	14
Otago	5	3	–	2	2	14
Wellington	5	2	–	3	3	11
Manawatu	5	2	–	3	1	9
Hawke's Bay	5	–	–	5	1	1

Semifinals

Otago 22, Canterbury 21

Auckland 39, Wellington 5

Final

Auckland 32, Otago 27



INTERNATIONAL TEST REFEREES

LYNDON BRAY

Argentina v Ireland at Santa Fe City,

Argentina v Italy at Mendoza

KELVIN DEAKER

Wales v Ireland at Cardiff,

Argentina v Ireland at Buenos Aires

PAUL HONISS

Australia v Wales at Brisbane,

Australia v South Africa at Sydney,

South Africa v Samoa at Paris (RWC),

Romania v Portugal at Toulouse (RWC),

Ireland v Argentina at Paris (RWC),

France v Argentina at Paris (RWC)

BRYCE LAWRENCE

Australia v Fiji at Perth

CHRIS POLLOCK

United States v Canada at London,

Fiji v Tonga at Lautoka

STEVE WALSH

Ireland v France at Dublin,

South Africa v England at Bloemfontein,

Scotland v Portugal at St Etienne (RWC),

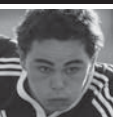
Wales v Australia at Cardiff (RWC),

Georgia v Namibia at Lens (RWC),

South Africa v Argentina at St Denis (RWC)



2007 STEINLAGER RUGBY AWARDS



NZRU AGE GRADE PLAYER OF THE YEAR

Zac Guildford (Hawke's Bay)

WOMEN'S PLAYER OF THE YEAR

Victoria Heighway (Auckland)

NZRU VOLUNTEER OF THE YEAR

Robbie Ball (Kaeo RFC, Northland)

RICHARD CRAWSHAW MEMORIAL SEVENS PLAYER OF THE YEAR

DJ Forbes (Auckland)

REBEL SPORT SUPER 14 PLAYER OF THE YEAR

Jimmy Cowan (Highlanders)

AIR NEW ZEALAND CUP PLAYER OF THE YEAR

Isa Nacewa (Auckland)

AA REWARDS HEARTLAND CHAMPIONSHIP PLAYER OF THE YEAR

Ross Hay (North Otago)

ADIDAS TEAM OF THE YEAR

Auckland

NZRU REFEREE OF THE YEAR

Steve Walsh (North Harbour)

TOM FRENCH MEMORIAL MAORI PLAYER OF THE YEAR

Daniel Braid

NZRU COACH OF THE YEAR

Peter Russell (Hawke's Bay)

STEINLAGER SALVER FOR AN OUTSTANDING CONTRIBUTION TO NEW ZEALAND RUGBY

Ron Don

KEL TREMAIN MEMORIAL PLAYER OF THE YEAR

Daniel Braid (Auckland, Blues,
Junior All Blacks)



OFF-FIELD RESULTS

NEW ZEALAND RUGBY UNION

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
INCOME			
Commercial Revenue		74,481	72,944
Fixtures and Tours Revenue		16,647	11,207
Interest Income		5,666	6,033
Other Income		3,148	2,970
Foreign Exchange Gains		1,727	142
TOTAL INCOME	3	101,669	93,296
EXPENDITURE			
Game Development		15,136	15,093
Provincial Union Grants		8,132	9,094
Representative Teams		24,902	23,817
Competitions		42,834	42,252
Governance and Financial		7,870	7,702
Change in Fair Value of Investment		4,170	–
Equity Accounted Loss of Associates	13	294	112
TOTAL EXPENDITURE	3	103,338	98,070
NET LOSS BEFORE INCOME TAX EXPENSE	3	(1,669)	(4,774)
Income Tax Expense	4	–	–
NET LOSS FOR THE YEAR		(1,669)	(4,774)

NEW ZEALAND RUGBY UNION

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
Cash Flow Hedges:	20		
Gain / (Loss) Taken to Equity		909	(938)
Transferred to Profit or Loss for the Period		(70)	107
NET INCOME / (EXPENSES) RECOGNISED DIRECTLY IN EQUITY		839	(831)
Loss for the Year		(1,669)	(4,774)
TOTAL RECOGNISED INCOME & EXPENSES FOR THE PERIOD		(830)	(5,605)

The accompanying notes form part of these financial statements.

NEW ZEALAND RUGBY UNION

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
CURRENT ASSETS			
Cash and Cash Equivalents		29,523	52,370
Trade and Other Receivables	7	11,631	4,544
Prepayments		796	1,393
Loans and Advances	8	1,172	1,255
Term Deposits		–	31,744
Other Financial Assets	9	43,899	3,050
		87,021	94,356
NON-CURRENT ASSETS			
Loans and Advances	8	2,259	3,391
Property, Plant and Equipment	10	1,486	1,940
Intangible Assets	11	212	304
Investment in Associates	13	10,076	10,364
		14,033	15,999
TOTAL ASSETS		101,054	110,355
CURRENT LIABILITIES			
Trade and Other Payables	15	5,617	5,728
Provision for Player Payment Variation	16	85	2,479
Income in Advance		4,771	6,764
		10,473	14,971
NON-CURRENT LIABILITIES			
Provision for Medical Costs	17	1,246	1,635
Benevolent and Welfare Fund	18	3,034	3,423
Income in Advance		7,444	10,639
		11,724	15,697
TOTAL LIABILITIES		22,197	30,668
EQUITY			
Cash Flow Hedge Reserve	20	3,889	3,050
Retained Earnings	21	74,968	76,637
TOTAL EQUITY		78,857	79,687
TOTAL LIABILITIES AND EQUITY		101,054	110,355

For and on behalf of the Board



M J B HOBBS Chairman
22 February 2008



W L SYERS Director
22 February 2008

The accompanying notes form part of these financial statements.

NEW ZEALAND RUGBY UNION

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts		78,433	81,509
Interest Received		5,843	7,473
Other Income		3,340	3,112
Payments to Suppliers and Employees		(98,638)	(98,587)
Interest Payments		(2,081)	(125)
NET CASH FLOW FROM OPERATING ACTIVITIES	26	(13,103)	(6,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of Loans and Advances		1,212	1,336
Maturity of Investments		66,687	70,377
Purchase of Property, Plant and Equipment		(161)	(505)
Purchase of Intangible Assets		(81)	(167)
Purchase of Investments		(79,628)	(46,476)
NET CASH FLOW FROM INVESTING ACTIVITIES		(11,971)	24,565
NET CASH FLOW FROM FINANCING ACTIVITIES		–	–
Net (Decrease) / Increase in Cash Held		(25,074)	17,947
Effect of Exchange Rate Change on Foreign Currency Balances		2,227	142
Cash at Start of the Year		52,370	34,281
CASH AT END OF THE YEAR		29,523	52,370
REPRESENTED BY:			
Cash at Bank		29,523	52,370
CASH AT END OF THE YEAR		29,523	52,370

The accompanying notes form part of these financial statements.

NEW ZEALAND RUGBY UNION

PARENT INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
INCOME			
Commercial Revenue		74,481	72,944
Fixtures and Tours Revenue		16,647	11,207
Interest Income		5,666	5,982
Other Income		3,148	2,970
Foreign Exchange Gains		1,727	142
TOTAL INCOME	3	101,669	93,245
EXPENDITURE			
Game Development		15,136	15,032
Provincial Union Grants		8,132	9,094
Representative Teams		22,747	21,223
Competitions		41,420	39,049
Governance and Financial		7,715	7,395
Funding to Subsidiaries		3,773	7,671
Change in Fair Value of Investment		4,170	–
TOTAL EXPENDITURE	3	103,093	99,464
NET LOSS BEFORE TAXATION	3	(1,424)	(6,219)
Income Tax Expense	4	–	–
NET LOSS FOR THE YEAR		(1,424)	(6,219)

NEW ZEALAND RUGBY UNION

PARENT STATEMENT OF RECOGNISED INCOME AND EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
Cash Flow Hedges:	20		
Gain / (Loss) Taken to Equity		909	(938)
Transferred to Profit or Loss for the Period		(70)	107
NET INCOME RECOGNISED DIRECTLY IN EQUITY		839	(831)
Loss for the Year		(1,424)	(6,219)
TOTAL RECOGNISED INCOME & EXPENSES FOR THE PERIOD		(585)	(7,050)

The accompanying notes form part of these financial statements.

NEW ZEALAND RUGBY UNION

PARENT BALANCE SHEET

AS AT 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
CURRENT ASSETS			
Cash and Cash Equivalents		29,517	52,355
Trade and Other Receivables	7	11,631	4,537
Prepayments		796	1,393
Loans and Advances	8	1,172	1,255
Term Deposits		–	31,744
Other Financial Assets	9	43,899	3,050
		87,015	94,334
NON-CURRENT ASSETS			
Loans and Advances	8	2,259	3,391
Property, Plant and Equipment	10	1,486	1,940
Intangible Assets	11	212	304
Investment in Associates	13	10,482	10,476
		14,439	16,111
TOTAL ASSETS		101,454	110,445
CURRENT LIABILITIES			
Trade and Other Payables	15	5,580	5,626
Provision for Player Payment Variation	16	85	2,479
Income in Advance		4,771	6,764
		10,436	14,869
NON-CURRENT LIABILITIES			
Provision for Medical Costs	17	1,246	1,635
Benevolent and Welfare Fund	18	3,034	3,423
Income in Advance		7,444	10,639
		11,724	15,697
TOTAL LIABILITIES		22,160	30,566
EQUITY			
Cash Flow Hedge Reserve	20	3,889	3,050
Retained Earnings	21	75,405	76,829
TOTAL EQUITY		79,294	79,879
TOTAL LIABILITIES AND EQUITY		101,454	110,445

For and on behalf of the Board



M J B HOBBS Chairman
22 February 2008



W L SYERS Director
22 February 2008

The accompanying notes form part of these financial statements.

NEW ZEALAND RUGBY UNION

PARENT CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	2007 \$000	2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Receipts		78,426	81,497
Interest Received		5,843	7,419
Other Income		3,340	3,112
Payments to Suppliers and Employees		(98,703)	(95,959)
Interest Payments		(2,081)	(124)
NET CASH FLOW FROM OPERATING ACTIVITIES	26	(13,175)	(4,055)
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of Loans and Advances		1,212	1,338
Maturity / Sale of Investments		66,687	69,377
Advances to Subsidiaries		81	(1,464)
Purchase of Property, Plant and Equipment		(161)	(672)
Purchase of Intangible Assets		(81)	–
Purchase of Investments		(79,628)	(46,478)
NET CASH FLOW USED IN INVESTING ACTIVITIES		(11,890)	22,101
NET CASH FLOW FROM FINANCING ACTIVITIES		–	–
Net (Decrease) / Increase in Cash Held		(25,065)	18,046
Effect of Exchange Rate Change on Foreign Currency Balances		2,227	142
Cash at Start of the Year		52,355	34,167
CASH AT END OF THE YEAR		29,517	52,355
REPRESENTED BY:			
Cash at Bank		29,517	52,355
CASH AT END OF THE YEAR		29,517	52,355

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. STATEMENT OF ACCOUNTING POLICIES**STATEMENT OF COMPLIANCE**

New Zealand Rugby Union Incorporated ("NZRU") is an incorporated society registered in New Zealand under the Incorporated Societies Act 1908 and is domiciled at 1 Hinemoa Street, Harbour Quays, Wellington, New Zealand.

The "Group" consists of New Zealand Rugby Union Incorporated (the "Parent"), its subsidiaries, associates and joint ventures.

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand ("NZ GAAP"). They comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for public benefit entities. The parent entity financial statements also comply with NZ IFRS.

BASIS OF PREPARATION

The Group financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Group changed its accounting policies on 1 January 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards", with 1 January 2006 as the date of transition. An explanation of how the transition to NZ IFRS has affected the entity is outlined in Note 29.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of NZ IFRS the NZRU is required to make judgements, estimates and assumptions about carrying values of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects current and future periods, it is reflected in those periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements made by the NZRU in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Critical judgements made by the NZRU mainly relate to the Provision for Medical Costs. The NZRU base the carrying value on an annual independent actuarial valuation which requires the estimation of the effects of uncertain future events at balance date. These estimates involve assumptions about the number of outstanding open injury claims; incurred but not reported claims; the cost of future claims; and the cost of managing future claims.

In addition, NZRU has made a judgement to carry the investment in Rugby New Zealand 2011 Limited at cost less its share of losses to date. The rationale for this judgement is outlined in Note 25.

SPECIFIC ACCOUNTING POLICIES**(a) Basis of Consolidation***Subsidiaries*

Subsidiaries are those entities controlled, directly or indirectly, by the NZRU. The Group financial statements include the parent entity, the NZRU, and its subsidiaries using the purchase method of consolidation. All significant inter-entity transactions are eliminated on consolidation. In the parent entity financial statements investments in subsidiaries are recognised at their cost, less any adjustment for impairment. A list of subsidiaries is disclosed in Note 12.

Associates

These are entities in which the NZRU has significant influence, but not control, over the operating and financial policies. The financial statements of all associates, where material, have been reflected in the Group financial statements on an equity accounting basis which shows the Group's share of profits or losses in the Group Income Statement and its share of post acquisition increases or decreases in net assets, in the Group Balance Sheet. The investment is carried at cost in the Parent Balance Sheet. A list of associates is disclosed in Note 13.

Joint Ventures

Joint ventures are joint arrangements with other parties in which the Group has several liabilities in respect of costs and liabilities, and shares in any resulting output. The Group's share of the assets, liabilities, revenues and expenses of joint ventures are incorporated into the Group financial statements on a line by line basis using the proportionate method. A list of joint ventures is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

(b) Property, Plant and Equipment

The Group has four classes of property, plant and equipment, as disclosed below.

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

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Income Statement and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided on a straight line basis on all property, plant and equipment at depreciation rates calculated to allocate the cost less estimated residual value, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Major classes of property, plant and equipment and their depreciation periods are:

- Computer Equipment 3 years
- Office Equipment 5 years
- Office Alterations and Fixtures 10 years
- Coaching Equipment 5 years

(c) Intangible Assets

Intangible assets comprise computer software.

Computer software is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the useful life of the asset (3 years). The estimated useful life, residual values and amortisation method is reviewed at the end of each annual reporting period.

(d) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(e) Leases

Group entities lease certain office equipment and premises. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term. The NZRU has no finance leases.

(f) Taxation

The NZRU is exempt from income tax as a promoter of amateur sport under section CW 39 of the Income Tax Act 2004. A subsidiary of the Group, New Zealand Rugby Promotions Limited, is subject to tax.

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

(g) Revenue RecognitionBroadcasting, Sponsorship and Licensing Revenue

Broadcasting, sponsorship and licensing revenue is recognised over the period of the contract as the benefits are supplied by the Group under the contracts.

Fixtures and Tours

Fixtures and tours revenue is recognised in the period of the event.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Government Grants

Government grants are recognised as income as the conditions are met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which they become receivable.

Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(h) Expense Recognition

Where the Group incurs expenses on behalf of other entities, the reimbursed amount is offset against the total amount paid to report the net expense to the Group.

(i) Foreign CurrencyFunctional and Presentation Currency

The Group financial statements are presented in New Zealand dollars, which is the Parent and subsidiaries' functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies are converted at the New Zealand rate of exchange in effect at the date of the transaction.

Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Foreign currency non-monetary assets and liabilities which are carried at cost are translated at the rates prevailing at the date when the cost was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement.

(j) Goods and Services Taxation

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

(k) Financial InstrumentsCash and Cash Equivalents

Cash and cash equivalents comprise short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade Receivables, Loans and Other Receivables

Trade receivables, loans and other receivables are measured at amortised cost less impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that an asset is impaired.

Trade and Other Payables

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

Offsetting

Assets and liabilities have not been offset except when offsetting is required or permitted by a Standard.

(l) Derivative Financial Instruments

The Group enters into foreign currency forward exchange contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in Note 22.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement.

Amounts recognised in equity are transferred to the Income Statement in the periods when the underlying hedged item is recognised in the Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Derivatives that do not qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

(m) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, less transaction costs.

All funds invested by NZRU have been accounted for at fair value through profit and loss. Interest revenue is separately recognised at amortised cost, and the fair value gain or loss is adjusted accordingly to take this into account. These funds are managed by AllianceBernstein New Zealand Limited and are denominated in New Zealand dollars, pounds sterling and US dollars. The financial asset is classified as fair value through profit or loss because the asset is managed and its performance is evaluated on a fair value basis, in accordance with documented risk management and investment strategies, and information about the asset is reviewed internally on that basis.

(n) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Provision for Player Payment Variation

A provision for Player Payment Variation is recognised for the difference between the players' share of agreed revenue ("Player Generated Revenue") earned during the term of the Collective Employment Agreement and benefits provided to the players during the same year. Player costs are recognised in the year in which the Player Generated Revenue is earned.

Provision for Medical Costs

The provision for medical costs is based on an annual independent actuarial valuation at the central estimate of the present value of expected future payments for claims with an additional risk margin allowance.

(o) Benevolent and Welfare Fund

The Benevolent and Welfare Fund represents funds unpaid at balance date attributable for the benefit of players employed under the Collective Employment Agreement who are unable to play professional rugby or are suffering other hardship. The fund is payable to the New Zealand Rugby Players Association.

(p) Employee Entitlements

Provision is made for benefits accruing to employees in respect of salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured using the remuneration rate expected to be applied at the time of settlement.

(q) Cash Flow Statements

Cashflows are inflows and outflows of cash and cash equivalents.

Operating Activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing Activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing Activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(r) New Standards and Interpretations

At the date of authorisation of the financial statements, a number of Standards and interpretations were in issue but not yet effective.

Initial application of the following standards will not affect any of the amounts recognised in the financial statements, but will change the presentation and disclosures presently made in relation to the Parent and Group financial statements:

NZ IFRS-8 Operating Segments – *Effective for periods beginning on or after 1 January 2009*

NZ IAS-1 Presentation of Financial Statements Revised Standard – *Effective for periods beginning on or after 1 January 2009*

Amendments to NZ IFRS-4 Insurance Contracts – The Scope of Insurance Activities and Differential Reporting Concessions – *Effective for periods beginning on or after 1 January 2009.*

(s) Comparatives

The comparative information has been restated to reflect the adoption of NZ IFRS.

A reconciliation of prior period equity, total assets and liabilities is included in Note 29.

(t) Changes in Accounting Policies

There have been no changes in accounting policies, other than those required under NZ IFRS as detailed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2. SEGMENT INFORMATION

The Group operates in one industry and geographical location. The Group's principal activity is the promotion and administration of rugby in New Zealand.

3. LOSS FROM OPERATIONS

NOTE	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Revenue				
Revenue from Operations consisted of the following items:				
Revenue from the Rendering of Services	89,964	83,018	89,964	83,018
Revenue from Government Grants	1,164	1,133	1,164	1,133
	91,128	84,151	91,128	84,151
Interest Income:				
Bank Deposits	2,695	5,875	2,695	5,824
Investments	2,848	–	2,848	–
Impaired Financial Assets	–	–	–	–
Related Parties	123	158	123	158
	5,666	6,033	5,666	5,982
Other Income	3,148	2,970	3,148	2,970
Foreign Exchange Gains	1,727	142	1,727	142
TOTAL OPERATING INCOME	101,669	93,296	101,669	93,245
(b) Expenditure				
Loss before Income Tax has been arrived at after charging the following Expenses:				
Expenditure from the Rendering of Services	51,835	54,290	55,282	59,465
Finance Costs:				
Bank Interest	280	125	280	124
Basis Swap Interest	1,788	–	1,788	–
Other Interest	13	–	13	–
	2,081	125	2,081	124
Change in Fair Value of Investments	4,170	–	4,170	–
Net Bad and Doubtful Debts Arising from:				
Parent Entity	(10)	747	(10)	747
Subsidiaries	–	–	–	1,464
	(10)	747	(10)	2,211
Movement in Provision for Medical Costs	17 (252)	(516)	(252)	(516)
Depreciation of Property, Plant and Equipment	10 613	687	613	687
Amortisation of Intangible Assets	11 173	370	173	370
Operating Lease Rental Expenses	571	538	571	538
Employee Benefits	44,157	41,829	40,465	36,585
TOTAL EXPENDITURE	103,338	98,070	103,093	99,464
TOTAL LOSS FROM OPERATIONS	(1,669)	(4,774)	(1,424)	(6,219)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. TAXATION

	GROUP	
	2007 \$000	2006 \$000
Income Tax		
Profit before Tax	(1,669)	(4,774)
Prima Facie Tax @ 33%	(551)	(1,575)
Tax Effect of Permanent Differences (exempt activities)	546	1,606
Benefit of Tax Losses not Previously Recognised	5	(31)
INCOME TAX EXPENSE	—	—

The Group has accumulated tax losses of \$5,355,000 (2006: \$5,237,000) available to be carried forward and offset against future assessable income. The \$1,767,000 (2006: \$1,728,000) future tax benefit of these losses has not been recognised as it is not probable that they will be realised. There was no tax effect of other temporary differences on the 2007 result (2006: Nil).

The Parent is exempt from income tax as a promoter of amateur sport under section CW 39 of the Income Tax Act 2004.

Imputation Credits

Imputation credits are not disclosed as the Parent has no shareholders able to utilise such credits.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Compensation				
Short-Term Employee Benefits	2,359	2,369	2,359	2,369
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	2,359	2,369	2,359	2,369

6. REMUNERATION OF AUDITORS

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Auditor of the Parent Entity (Deloitte)				
Audit of the Financial Statements	27	26	27	26
Audit Related Services from Adoption of NZ IFRS	16	12	16	12
Assurance Services	—	33	—	33
Other Non-Audit Services	8	57	8	57
TOTAL REMUNERATION OF AUDITORS	51	128	51	128

Other Non-Audit Services provided by the auditor included \$8,000 Players Collective Agreement Review (2006: Advice with respect to NZRU Funding and the financial arrangements between NZRU and Rugby New Zealand 2011 Limited).

7. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade Receivables	2,883	3,369	2,883	3,369
Provision for Doubtful Debts	(8)	(767)	(8)	(767)
	2,875	2,602	2,875	2,602
Goods and Service Tax (GST) Receivable	—	534	—	534
Other Receivables	8,756	1,408	8,756	1,401
TOTAL TRADE AND OTHER RECEIVABLES	11,631	4,544	11,631	4,537

Trade receivables are non-interest bearing and generally on monthly terms.

An allowance of \$8,000 has been made for estimated irrecoverable amounts (2006: \$767,000). The movement in the allowance of \$759,000 in the Group and the Parent is split between a write off to bad debts of \$749,000 and a reduction in the allowance of \$10,000 which was recognised in the loss for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8. LOANS AND ADVANCES

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Current Portion				
Provincial Unions	79	195	79	195
Local Body Authorities	1	4	1	4
SANZAR Europe s.a.r.l.	1,092	1,056	1,092	1,056
	1,172	1,255	1,172	1,255
Non-Current Portion				
Provincial Unions	–	79	–	79
Local Body Authorities	4	5	4	5
SANZAR Europe s.a.r.l.	2,255	3,307	2,255	3,307
	2,259	3,391	2,259	3,391
TOTAL LOANS AND ADVANCES	3,431	4,646	3,431	4,646

9. OTHER FINANCIAL ASSETS

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Investments in Foreign Currency Deposits	40,010	–	40,010	–
Foreign Currency Forward Contracts	3,889	3,050	3,889	3,050
TOTAL OTHER FINANCIAL ASSETS	43,899	3,050	43,899	3,050

10. PROPERTY, PLANT AND EQUIPMENT

	GROUP				
	Computer Equipment at Cost \$000	Office Equipment at Cost \$000	Office Alterations & Fixtures at Cost \$000	Coaching Equipment at Cost \$000	TOTAL \$000
Gross Carrying Amount					
Balance at 1 January 2006	2,105	918	1,833	195	5,051
Additions	414	–	37	59	510
Disposals	(1,476)	(48)	(4)	(146)	(1,674)
Balance at 31 December 2006	1,043	870	1,866	108	3,887
Additions	96	6	25	34	161
Disposals	–	(90)	(4)	–	(94)
Balance at 31 December 2007	1,139	785	1,887	142	3,954
Accumulated Depreciation					
Balance at 1 January 2006	(1,691)	(593)	(497)	(151)	(2,932)
Disposals	1,476	48	2	146	1,672
Depreciation Expense	(311)	(175)	(184)	(17)	(687)
Balance at 31 December 2006	(526)	(720)	(679)	(22)	(1,947)
Disposals	–	91	1	–	92
Depreciation Expense	(280)	(121)	(188)	(24)	(613)
Balance at 31 December 2007	(806)	(750)	(866)	(46)	(2,468)
Net Book Value					
Balance at 1 January 2006	414	325	1,337	44	2,120
Balance at 31 December 2006	517	150	1,187	86	1,940
Balance at 31 December 2007	333	36	1,021	96	1,486

There are Nil of contractual commitments at 31 December 2007 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	PARENT				
	Computer Equipment at Cost \$000	Office Equipment at Cost \$000	Office Alterations & Fixtures at Cost \$000	Coaching Equipment at Cost \$000	TOTAL \$000
Gross Carrying Amount					
Balance at 1 January 2006	2,105	918	1,833	195	5,051
Additions	414	–	37	59	510
Disposals	(1,476)	(48)	(4)	(146)	(1,674)
Balance at 31 December 2006	1,043	870	1,866	108	3,887
Additions	96	6	25	34	161
Disposals	–	(90)	(4)	–	(94)
Balance at 31 December 2007	1,139	785	1,887	142	3,954
Accumulated Depreciation					
Balance at 1 January 2006	(1,691)	(593)	(497)	(151)	(2,932)
Disposals	1,476	48	2	146	1,672
Depreciation Expense	(311)	(175)	(184)	(17)	(687)
Balance at 31 December 2006	(526)	(720)	(679)	(22)	(1,947)
Disposals	–	91	1	–	92
Depreciation Expense	(280)	(121)	(188)	(24)	(613)
Balance at 31 December 2007	(806)	(750)	(866)	(46)	(2,468)
Net Book Value					
Balance at 1 January 2006	414	325	1,337	44	2,120
Balance at 31 December 2006	517	150	1,187	86	1,940
Balance at 31 December 2007	333	36	1,021	96	1,486

There are Nil of contractual commitments at 31 December 2007 (2006: Nil).

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Depreciation Expense recognised during the year:				
Computer Equipment	280	311	280	311
Office Equipment	121	175	121	175
Office Alterations and Fixtures	188	184	188	184
Coaching Equipment	24	17	24	17
TOTAL DEPRECIATION EXPENSE	613	687	613	687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

11. INTANGIBLE ASSETS

	GROUP Computer Software \$000	PARENT Computer Software \$000
Gross Carrying Amount		
Balance at 1 January 2006	3,704	3,704
Additions	167	167
Disposals	(3,183)	(3,183)
Balance at 31 December 2006	688	688
Additions	82	82
Balance at 31 December 2007	770	770
Accumulated Depreciation		
Balance at 1 January 2006	(3,197)	(3,197)
Disposals	3,183	3,183
Depreciation Expense	(370)	(370)
Balance at 31 December 2006	(384)	(384)
Depreciation Expense	(173)	(173)
Balance at 31 December 2007	(557)	(557)
Net Book Value		
Balance at 1 January 2006	507	507
Balance at 31 December 2006	304	304
Balance at 31 December 2007	212	212

There are Nil of contractual commitments at 31 December 2007 (2006: Nil).

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Amortisation Expense recognised during the year:				
Computer Software	173	370	173	370
TOTAL AMORTISATION EXPENSE	173	370	173	370

12. SUBSIDIARIES

Parent Entity

New Zealand Rugby Union

Subsidiaries

New Zealand Rugby Promotions Limited
 Computerised Match Ticketing Limited
 Rugby World Cup Limited
 World Cup Rugby Limited

Country of Incorporation

New Zealand
 New Zealand
 New Zealand
 New Zealand

2007

100%
 100%
 100%
 100%

2006

100%
 100%
 100%
 100%

All subsidiaries have a balance date of 31 December.

New Zealand Rugby Promotions Limited contracts certain referees and team management for New Zealand teams.

Computerised Match Ticketing Limited, Rugby World Cup Limited and World Cup Rugby Limited are non-trading subsidiaries. The financial position and results of these entities have not been recorded in these financial statements as the amounts are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13. INVESTMENT IN ASSOCIATES

Associates

Rugby New Zealand 2011 Limited
 SANZAR Pty Limited
 SANZAR Europe s.a.r.l.

Country of Incorporation

New Zealand
 Australia
 Europe

2007

50%
 33%
 33%

2006

50%
 33%
 33%

All associates have a balance date of 31 December.

Rugby New Zealand 2011 Limited is responsible for delivering NZRU's obligations in respect of hosting the 2011 Rugby World Cup tournament. Refer to Note 25.

SANZAR Pty Limited acts as the agent for the joint venture outlined below. The financial position and results of SANZAR Pty Limited have not been recorded in these financial statements as the amounts are insignificant.

SANZAR Europe s.a.r.l. is a licensing vehicle to facilitate the sale of broadcasting rights into the European markets.

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Carrying Value of Associates				
Carrying Value at Beginning of Year	10,364	–	10,476	–
Investment During the Year	–	10,476	–	10,476
Share of Net Profit / (Loss)	(294)	(112)	–	–
Change in Translation of Foreign Currency Investment	6	–	6	–
TOTAL INVESTMENTS IN ASSOCIATES	10,076	10,364	10,482	10,476

NZRU's share of contingent liabilities, capital commitments or other commitments contracted for at balance date is \$10 million (2006: Nil). Refer to Note 25.

The financial results of Rugby New Zealand 2011 Limited and SANZAR Europe s.a.r.l. have been accounted for using the equity method in these financial statements. The results above incorporate the results of each associate for the period ended 31 December 2007.

The following table summarises the total aggregate reported balances of all associate entities included in the Group:

	GROUP	
	2007 \$000	2006 \$000
Current Assets	18,635	29,138
Non-Current Assets	22,574	17,513
	41,209	46,651
Current Liabilities	4,507	5,913
Non-Current Liabilities	6,514	9,925
	11,021	15,838
Net Assets	30,188	30,813
Revenue	6,097	4,612
Net Profit	(634)	(617)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

14. JOINT VENTURE

NZRU has a one-third share in an unincorporated joint venture, SANZAR, which promotes and administers certain rugby tournaments and the associated broadcasting rights.

The following amounts are included in the Group financial statements under their respective asset categories as a result of the proportionate consolidation of SANZAR:

	GROUP	
	2007 \$000	2006 \$000
Current Assets	–	–
Non-Current Assets	–	–
	–	–
Current Liabilities	175	452
Non-Current Liabilities	–	–
	175	452
Net Assets	(175)	(452)
Income	–	–
Expenditure	291	653

NZRU's share of contingent liabilities, capital commitments or other commitments contracted for at balance date is Nil (2006: Nil).

15. TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade Payables	1,347	1,178	1,347	1,178
Employee Entitlements	1,868	1,677	1,713	1,677
Goods and Service Tax (GST) Payable	222	–	224	–
Other Payables and Accruals	2,180	2,873	2,296	2,771
TOTAL TRADE AND OTHER PAYABLES	5,617	5,728	5,580	5,626

16. PROVISION FOR PLAYER PAYMENT VARIATION

Under the Players' Collective Employment Agreement 32.41% of Player Generated Revenue recognised during the year is set aside and applied for the benefit of players contracted under this Agreement.

Where payments made to players during the term of the Agreement differ from the players' share of Player Generated Revenue, the difference is recognised in the Balance Sheet. For the year ended 31 December 2007, the player payments were \$2,394,000 (2006: \$6,149,000) more than the players' share of Player Generated Revenue. Consequently a Provision for Player Payment Variation of \$85,000 (2006: \$2,479,000) has been recognised to provide for NZRU's obligations for player employment benefits that will be paid in future periods.

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Carrying Value of Provision				
Carrying Value at Beginning of Year	2,479	8,628	2,479	8,628
Movement in Provision	(2,394)	(6,149)	(2,394)	(6,149)
TOTAL PROVISION FOR PLAYER PAYMENT VARIATION	85	2,479	85	2,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

17. PROVISION FOR MEDICAL COSTS

The NZRU provides injury and illness benefits to employees and players. There are two components of the provision, being the medical retirement benefit and the ACC Partnership Programme.

The terms of the players' contract changed effective 31 December 2005 and no medical retirement benefit is provided from this date. There does though remain a liability for medical retirement prior to this date.

NZRU is an accredited employer under the ACC Partnership Programme. Whilst this limits the levy payable to ACC, the NZRU remains liable for all medical costs for any future work injury.

A provision is made for liabilities that extend beyond the end of the financial year. The provision for medical and income costs is based on an annual independent actuarial valuation prepared by Mark Weaver, Fellow of the Institute of Actuaries of Australia, of Melville Jessup Weaver, Consulting Actuaries. The Actuaries have confirmed that the data provided by the NZRU was sufficient for the purposes of their report.

The actuarial calculation is based on a central estimate of the present value of expected future payments for claims. The estimate is based upon assumptions about the number of outstanding open injury claims; incurred but not reported claims (IBNR); the cost of future claims; and the cost of managing future claims which is estimated at 7.5% of the cost of future claims. The IBNR and reopen claim factors are set by ACC and take into account inflation of claim costs and discounting for the time value of money.

Consistent with the prior year, a prudential margin liability has not been included in the calculation as the actuary has determined that an additional risk margin is not required. There has been no discounting of open claim future costs as these are not expected to last longer than 1 year.

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Carrying Value of Provision				
Carrying Value at Beginning of Year	1,635	2,358	1,635	50
Transfer of Provision from NZRPL	–	–	–	2,308
Payments Made During Year	(137)	(207)	(137)	(207)
Revaluation of Provision	(252)	(516)	(252)	(516)
TOTAL PROVISION FOR MEDICAL COSTS	1,246	1,635	1,246	1,635

18. BENEVOLENT AND WELFARE FUND

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

The Parent and Group balance of \$3,034,000 (2006: \$3,423,000), which is held in other financial assets, is held solely for the purpose of meeting the NZRU's obligations for the Benevolent and Welfare Fund.

19. PROVISION FOR DOUBTFUL DEBTS

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Carrying Value of Provision				
Carrying Value at Beginning of Year	767	20	767	20
Increase in Provision	–	747	–	747
Decrease in Provision	(10)	–	(10)	–
Write-Off to Bad Debts	(749)	–	(749)	–
TOTAL PROVISION FOR DOUBTFUL DEBTS	8	767	8	767

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

20. CASH FLOW HEDGE RESERVE

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at Beginning of Year	3,050	3,881	3,050	3,881
Gains/(Losses) on Cash Flow Hedges	909	(938)	909	(938)
Transferred to Profit or Loss	(70)	107	(70)	107
TOTAL CASH FLOW HEDGE RESERVE	3,889	3,050	3,889	3,050

The hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. The underlying cash flows are expected to occur within the next twelve month period (2006: twenty four month period).

21. RETAINED EARNINGS

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at Beginning of Year	76,637	81,411	76,829	83,048
Net Loss for the Year	(1,669)	(4,774)	(1,424)	(6,219)
TOTAL RETAINED EARNINGS	74,968	76,637	75,405	76,829

22. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed on a regular basis.

The Group's operations expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward exchange rate contracts to hedge the exchange rate risk arising from revenue streams denominated in foreign currency.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, and the basis of measurement applied in respect of each class of financial asset and financial liability, are disclosed in Note 1 to the financial statements.

Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising foreign exchange contracts.

The Group held the following monetary assets and liabilities denominated in foreign currencies at balance date:

		GROUP		PARENT	
	Currency	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Assets	United States Dollars	27,587	28,881	27,587	28,881
	Pounds Sterling	37,545	46,047	37,545	46,047
	Euros	5,480	5,463	5,480	5,463
Liabilities	United States Dollars	7,167	406	7,167	406
	Pounds Sterling	549	11	549	11
	Euros	3,548	4,784	3,548	4,784
	Australian Dollars	290	–	290	–

Forward Foreign Exchange Contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency receipts when certain criteria are met.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2007	2006	2007 FC'000	2006 FC'000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Outstanding Contracts								
Buy USD								
Less than 3 Months	0.5166	0.5241	3,000	3,500	5,808	6,678	1,932	1,714
3 to 6 Months	–	–	–	–	–	–	–	–
6 to 12 Months	0.6648	–	13,500	–	20,307	–	2,125	–
12 to 24 Months	–	0.5166	–	3,000	–	5,807	–	1,336
Buy EUR								
Less than 3 Months	–	–	–	–	–	–	–	–
3 to 6 Months	0.5225	–	1,250	–	2,393	–	(60)	–
6 to 12 Months	0.5300	–	1,150	–	2,170	–	(108)	–

These foreign exchange contracts are all designated as cash flow hedges and relate to the parent entity.

Basis Swap Contracts

Under basis swap contracts, the Group agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified fixed exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates. There were no outstanding basis currency swap contracts at balance date.

Interest Rate Risk Management

Interest rate risk is the risk that the value of the Group's assets will fluctuate due to the changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances, loans and advances and investments.

Maturity Profile

The following table details the Group's exposure to interest rate risk. This table is based on contractual repricing or maturity dates, whichever is earlier:

	Weighted Average			Fixed Maturity Dates							TOTAL \$000
	Effective	Variable	Less	1 – 2 Years \$000	2 – 3 Years \$000	3 – 4 Years \$000	4 – 5 Years \$000	5 + Years \$000	Non Interest Bearing \$000		
	Interest Rate %	Interest Rate \$000	Than 1 Year \$000								
GROUP 2007											
Financial Assets											
Cash and Cash Equivalents	7.41%	29,523	–	–	–	–	–	–	–	29,523	
Trade and Other Receivables		–	–	–	–	–	–	–	11,631	11,631	
Loans and Advances	6.99%	–	1,172	1,115	1,143	1	–	–	–	3,431	
Other Financial Assets	6.29%	40,010	–	–	–	–	–	–	3,889	43,899	
Total Financial Assets		69,533	1,172	1,115	1,143	1	–	–	15,520	88,484	
Financial Liabilities											
Trade and Other Payables		–	–	–	–	–	–	–	5,617	5,617	
Provision for Player Payment Variation		–	–	–	–	–	–	–	85	85	
Benevolent and Welfare Fund		–	–	–	–	–	–	–	3,034	3,034	
Total Financial Liabilities		–	–	–	–	–	–	–	8,736	8,736	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Weighted Average	Variable Interest Rate \$000	Less Than 1 Year \$000	Fixed Maturity Dates						Non Interest Bearing \$000	TOTAL \$000
	Effective			1 – 2	2 – 3	3 – 4	4 – 5	5 +			
	Interest Rate %			Years \$000	Years \$000	Years \$000	Years \$000	Years \$000			
GROUP 2006											
Financial Assets											
Cash and Cash Equivalents	4.81%	84,114	–	–	–	–	–	–	–	84,114	
Trade and Other Receivables		–	–	–	–	–	–	–	4,544	4,544	
Loans and Advances	6.90%	–	1,255	1,167	1,110	1,113	1	–	–	4,646	
Other Financial Assets		–	–	–	–	–	–	–	3,050	3,050	
Total Financial Assets		84,114	1,255	1,167	1,110	1,113	1	–	7,594	96,354	
Financial Liabilities											
Trade and Other Payables		–	–	–	–	–	–	–	5,728	5,728	
Provision for Player Payment Variation		–	–	–	–	–	–	–	2,479	2,479	
Benevolent and Welfare Fund		–	–	–	–	–	–	–	3,423	3,423	
Total Financial Liabilities		–	–	–	–	–	–	–	11,630	11,630	

	Weighted Average			Fixed Maturity Dates							Non Interest Bearing	TOTAL \$000
	Effective Interest Rate %	Variable Interest Rate \$000	Less Than 1 Year \$000	1 – 2 Years \$000	2 – 3 Years \$000	3 – 4 Years \$000	4 – 5 Years \$000	5 + Years \$000				
PARENT 2007												
Financial Assets												
Cash and Cash Equivalents	7.41%	29,517	–	–	–	–	–	–	–	29,517		
Trade and Other Receivables		–	–	–	–	–	–	–	11,631	11,631		
Loans and Advances	6.99%	–	1,172	1,115	1,143	1	–	–	–	3,431		
Other Financial Assets	6.29%	40,010	–	–	–	–	–	–	3,889	43,899		
Total Financial Assets		69,527	1,172	1,115	1,143	1	–	–	15,520	88,478		
Financial Liabilities												
Trade and Other Payables		–	–	–	–	–	–	–	5,580	5,580		
Provision for Player Payment Variation		–	–	–	–	–	–	–	85	85		
Benevolent and Welfare Fund		–	–	–	–	–	–	–	3,034	3,034		
Total Financial Liabilities		–	–	–	–	–	–	–	8,699	8,699		

	Weighted Average			Fixed Maturity Dates						Non Interest Bearing	TOTAL
	Effective Interest Rate	Variable Interest Rate	Less Than 1 Year	1 – 2 Years	2 – 3 Years	3 – 4 Years	4 – 5 Years	5 + Years			
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000			
PARENT 2006											
Financial Assets											
Cash and Cash Equivalents	4.81%	84,099	–	–	–	–	–	–	–	84,099	
Trade and Other Receivables		–	–	–	–	–	–	–	4,537	4,537	
Loans and Advances	6.90%	–	1,255	1,167	1,110	1,113	1	–	–	4,646	
Other Financial Assets		–	–	–	–	–	–	–	3,050	3,050	
Total Financial Assets		84,099	1,255	1,167	1,110	1,113	1	–	7,587	96,332	
Financial Liabilities											
Trade and Other Payables		–	–	–	–	–	–	–	5,626	5,626	
Provision for Player Payment Variation		–	–	–	–	–	–	–	2,479	2,479	
Benevolent and Welfare Fund		–	–	–	–	–	–	–	3,423	3,423	
Total Financial Liabilities		–	–	–	–	–	–	–	11,528	11,528	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Categorisation of Financial Assets and Financial Liabilities

	GROUP		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Financial Assets				
Loans and Receivables	44,585	93,304	44,579	93,282
Other Financial Assets Designated at Fair Value Through Profit and Loss	40,010	–	40,010	–
Other Financial Assets Designated as Cash Flow Hedges	3,889	3,050	3,889	3,050
TOTAL FINANCIAL ASSETS	88,484	96,354	88,478	96,332
Financial Liabilities				
Financial Liabilities at Amortised Cost	8,736	11,630	8,699	11,528
TOTAL FINANCIAL LIABILITIES	8,736	11,630	8,699	11,528

Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments which potentially subject the Group to credit risk consist principally of bank balances, accounts receivable, loans and advances, other financial assets and derivative financial instruments. The Group has a credit policy which is used to manage its exposure to credit risk. Reputable financial institutions are used for investing and cash handling purposes. The maximum credit risk is the carrying value of these assets.

Liquidity Risk Management

Liquidity risk is the risk that the Group may be unable to meet its financial obligations as they fall due. The Group manages this risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows matching the maturity profiles of financial assets and liabilities.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure comprises reserves (Note 20) and retained earnings (Note 21), which includes cash and other financial instruments. The NZRU reviews the capital structure annually whilst updating the Group's Investment Policy. The Group's overall strategy remains unchanged from the prior year.

Fair Value of Financial Instruments

The Group considers that the carrying amount of the financial assets and financial liabilities recorded in the financial statements approximate their fair values, with the exception of investments in associates and subsidiaries as there is no quoted market price available for these equity instruments.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Sensitivity Analysis

A sensitivity analysis has been performed based upon the Financial Instrument balances as classified in the maturity profile table. The sensitivity analysis calculates the impact on the Group and Parent reported profit or loss if there was a deviation in either the interest rate or the exchange rate by +/-10%.

	2007 GROUP AND PARENT			
	Interest Rate		Exchange Rate	
		\$000		\$000
Cash and Cash Equivalents	+/- 10%	+/- 219	+/- 10%	+/- 2,075
Trade and Other Receivables	+/- 10%	N/A	+/- 10%	+/- 905
Other Financial Assets	+/- 10%	+/- 252	+/- 10%	+/- 3,746
Loans and Advances	+/- 10%	+/- 36	+/- 10%	+/- 335
Trade and Other Payables	+/- 10%	N/A	+/- 10%	+/- 1,155

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	2006 GROUP AND PARENT			
	Interest Rate		Exchange Rate	
		\$000		\$000
Cash and Cash Equivalents	+/- 10%	+/- 405	+/- 10%	+/- 7,479
Trade and Other Receivables	+/- 10%	N/A	+/- 10%	+/- 123
Other Financial Assets	+/- 10%	N/A	+/- 10%	N/A
Loans and Advances	+/- 10%	+/- 62	+/- 10%	+/- 436
Trade and Other Payables	+/- 10%	N/A	+/- 10%	+/- 520

23. OPERATING LEASE COMMITMENTS

	GROUP AND PARENT	
	2007 \$000	2006 \$000
Not later than one year	543	540
Later than one year and not later than two years	576	540
Later than two years and not later than five years	1,386	1,763
Later than five years	–	208
TOTAL OPERATING LEASE COMMITMENTS	2,505	3,051

All operating leases expire in 2012 with no right of renewal or purchase of asset.

24. CONTINGENT LIABILITIES

The Parent has a contingent liability of \$10,000 (2006: \$10,000) relating to the uncalled capital of New Zealand Rugby Promotions Limited.

The Parent has guaranteed an advance made by a registered trading bank of \$221,000 (2006: \$338,000) to Eden Park Trust Board.

25. RUGBY WORLD CUP 2011

In November 2005, the NZRU signed a contract with the Rugby World Cup Limited, a wholly owned subsidiary of the International Rugby Board, to host the 2011 Rugby World Cup tournament. Upon signing the contract, the NZRU committed to pay a tournament fee of GBP48 million on completion of the tournament. The contract also requires that the NZRU meets specified tournament costs and entitles the NZRU to retain certain specified tournament revenues. There is a commitment to provide further funding as required. On 30 June 2006 Rugby New Zealand 2011 Limited was established as a company jointly owned by the NZRU and the New Zealand Government. The company is responsible for delivering the NZRU's requirements under the Host Union Agreement with Rugby World Cup Limited in respect of hosting the 2011 Rugby World Cup tournament.

Rugby New Zealand 2011 Limited has committed to deliver a world class tournament achieving at least a break even result. NZRU is liable for one third of any financial losses and one half of any financial profit of the tournament. Rugby New Zealand 2011 Limited will complete the first detailed budget of the tournament during 2008. Depending upon a range of key variables the tournament could financially operate at a profit or a loss. The 2003 and 2007 world cup tournaments were profitable. On these assumptions the initial capital commitment of NZD \$30 million (Crown NZD \$20 million and NZRU NZD \$10 million) will be recoverable.

NZRU has a commitment to provide a grant of \$10 million towards the redevelopment of Eden Park in order to provide a 60,000 seat stadium for the Rugby World Cup 2011 tournament. As at balance date the timing of the payment of this grant is uncertain. In return for the grant the Eden Park Trust Board (EPTB) is expected to provide NZRU with access rights at the stadium during All Black test match fixtures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

26. RECONCILIATION OF NET PROFIT WITH CASH INFLOW FROM OPERATING ACTIVITIES

	2007 \$000	2006 \$000
GROUP		
Net Profit/(Loss)	(1,669)	(4,774)
Items Classified as Investing / Financing Activities	(845)	(1,335)
Add Non-Cash Items		
Change in Benevolent and Welfare Fund	–	3,423
Depreciation	613	687
Amortisation	173	370
Change in Doubtful Debts Provision	759	747
Change in Bad Debts	(749)	–
Realised Cash Flow Hedge	(70)	–
Share of Associate Loss	294	112
Change in Fair Value of Investment	4,170	–
Unrealised Foreign Exchange Gains	(1,727)	(142)
	3,463	5,197
Movement in Working Capital		
Decrease/(Increase) in Trade Receivables	(7,615)	(1,016)
Decrease/(Increase) in Prepayments	597	(383)
Decrease/(Increase) in Advances	–	(4,124)
Decrease/(Increase) in Other Financial Assets	909	–
Increase/(Decrease) in Trade Payables	415	1,805
Increase/(Decrease) in Provisions	(3,172)	(6,872)
Increase/(Decrease) in Income In Advance	(5,186)	4,884
	(14,052)	(5,706)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(13,103)	(6,618)
	2007 \$000	2006 \$000
PARENT		
Net Profit/(Loss)	(1,424)	(6,219)
Items Classified as Investing / Financing Activities	(926)	(1,335)
Add Non-Cash Items		
Change in Benevolent and Welfare Fund	–	3,423
Subsidiary Funding	–	1,464
Depreciation	613	688
Amortisation	173	369
Change in Doubtful Debts Provision	759	747
Change in Bad Debts	(749)	–
Realised Cash Flow Hedge	(70)	–
Change in Fair Value of Investment	4,170	–
Unrealised Foreign Exchange Gains	(1,727)	(142)
	3,169	6,549
Movement in Working Capital		
Decrease/(Increase) in Trade Receivables	(7,622)	(1,031)
Decrease/(Increase) in Prepayments	597	(383)
Decrease/(Increase) in Advances	–	(4,124)
Decrease/(Increase) in Other Financial Assets	909	–
Increase/(Decrease) in Trade Payables	480	2,168
Increase/(Decrease) in Provisions	(3,172)	(4,564)
Increase/(Decrease) in Income In Advance	(5,186)	4,884
	(13,994)	(3,050)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(13,175)	(4,055)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

27. REMUNERATION OF DIRECTORS

Directors' Fees paid or payable to Directors for services as a Director during the year totalled \$267,500 (2006: \$210,000) and were paid as follows:

		TOTAL \$000
Mr M J B Hobbs	Chairman	58
Mr W L Syers	Director	26
Mr B P Quinn	Director	26
Mr M A Peters	Director	26
Mr G N K Mourie	Director	26
Mr M T Eagle	Director	26
Mr I C Haines	Director	26
Mr J C Lindsay	Director	5
Mr K G Douglas	Director	26
Mr W G Thurston	Director	21

The balance of Directors' fees outstanding at balance date was \$81,250 (2006: \$52,500).

28. TRANSACTIONS WITH RELATED PARTIES**Provincial Unions and Franchises**

During the year the Group received \$195,000 (2006: \$210,000) repayments of loans and advances from rugby Provincial Unions.

During the year the Group paid grants to the Provincial Unions of \$8,132,000 (2006: \$9,094,000) in accordance with the criteria set out in the Provincial Union Funding Review.

The balances outstanding of loans and advances at the end of the year are stated in Note 8 to these financial statements. The terms and conditions vary between the Unions.

The Group charged interest of \$19,000 (2006: \$26,000) during the year on these loans.

Subsidiaries*New Zealand Rugby Promotions Limited*

New Zealand Rugby Promotions Limited acts as an employer or contactor of coaches, referees and team management for certain New Zealand representative teams and the teams competing in super rugby who are paid to play or participate in the game of rugby union.

Value of key transactions with New Zealand Rugby Promotions Limited

Funding for salary, contract and bonus payments \$4,042,000 (2006: \$5,816,000)

Funding for overheads allocation by NZRU \$25,000 (2006: \$229,000)

Funding for fringe benefit tax \$17,000 (2006: \$117,000)

Funding for insurance \$37,000 (2006: Nil)

The parent has provided against the movement in the debt owed by New Zealand Rugby Promotions Limited of Nil (2006: \$1,464,000).

Associates*Rugby New Zealand 2011 Limited*

The Group incurred transactions on behalf of Rugby New Zealand 2011 Limited. The appropriate costs are then on charged to the entity. In addition, the Group received payments for services provided to Rugby New Zealand 2011 Limited of \$423,000 (2006: \$293,000).

SANZAR Pty Limited

The Group had no transactions with SANZAR Pty Limited during the year (2006: Nil) as the company did not trade during the year.

SANZAR Europe s.a.r.l.

The Group earned interest income of \$104,000 (2006: \$132,000) from SANZAR Europe s.a.r.l. during the year as a result of loans provided to the associate to purchase broadcasting rights which have been sold into the European markets.

Joint Ventures

NZRU has a one-third share in an unincorporated joint venture, SANZAR, which promotes and administers certain rugby tournaments and the associated broadcasting rights.

NZRU's share of contingent liabilities, capital commitments or other commitments contracted for at balance date is Nil (2006: Nil).

Value of key transactions with SANZAR

Funding for professional services \$291,000 (2006: \$654,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Directors

Mr G N K Mourie is a Director of Mourie Sport Management Limited. The Group receives services from Mourie Sport Management Limited. These services are provided on normal commercial terms and payments for these services totalled \$4,000 (2006: \$8,000). In addition Directors Fees for Mr G N K Mourie of \$26,250 (2006: \$20,000) and IRB Council Fee was reimbursed of \$9,000 (2006: Nil) were paid to Mourie Sport Management Limited resulting in total payments to Mourie Sport Management Limited of \$39,000 (2006: \$28,000).

29.ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Standards Review Board announced that NZ IFRS will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007.

NZRU has implemented NZ IFRS with effect from 1 January 2006. In complying with NZ IFRS for the first time, NZRU has restated comparative balances applying NZ IFRS. This requires a restatement of opening balances as at 1 January 2006, incorporating initial transitional adjustments, and the restatement of balances as at 1 January 2007 which will impact net earnings, cashflow statements and balance sheets. The adjustments that are required for the balance sheet as at 1 January 2006 are made directly to equity.

Impact on Transition to NZ IFRS

The impact to transition to NZ IFRS from previous NZ GAAP is set out in the following tables:

Impact on Group Equity, Total Liabilities and Assets on initial transition to NZ IFRS at 1 January 2006:

		Retained Earnings \$000	GROUP Total Equity \$000	Total Liabilities \$000	Total Assets \$000
Total Reported under Previous NZ GAAP		81,411	81,411	27,428	108,839
NZ IFRS Adjustments:					
Property, Plant and Equipment	(a)	–	–	–	(482)
Intangible Assets	(a)	–	–	–	482
Other Financial Assets	(b)	–	–	–	3,881
Cash Flow Hedge Reserve	(b)	–	3,881	–	–
Total NZ IFRS Adjustment		–	3,881	–	3,881
Total Restated under NZ IFRS at 1 January 2006		81,411	85,292	27,428	112,720

Impact on Group Equity, Total Liabilities and Assets on initial transition to NZ IFRS at 31 December 2006:

		Profit and Loss \$000	Retained Earnings \$000	GROUP Total Equity \$000	Total Liabilities \$000	Total Assets \$000
Total Reported under Previous NZ GAAP		(4,774)	76,637	76,637	30,668	107,305
NZ IFRS Adjustments:						
Property, Plant and Equipment	(a)	–	–	–	–	(274)
Intangible Assets	(a)	–	–	–	–	274
Other Financial Assets	(b)	–	–	–	–	3,050
Cash Flow Hedge Reserve	(b)	–	–	3,050	–	–
Total NZ IFRS Adjustment		–	–	3,050	–	3,050
Total Restated under NZ IFRS at 31 December 2006		(4,774)	76,637	79,687	30,668	110,355

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Impact on Parent Equity, Total Liabilities and Assets on initial transition to NZ IFRS at 1 January 2006:

		Retained Earnings \$000	PARENT Total Equity \$000	Total Liabilities \$000	Total Assets \$000
Total Reported under Previous NZ GAAP		83,048	83,048	24,652	107,700
NZ IFRS Adjustments:					
Property, Plant and Equipment	(a)	–	–	–	(482)
Intangible Assets	(a)	–	–	–	482
Other Financial Assets	(b)	–	–	–	3,881
Cash Flow Hedge Reserve	(b)	–	3,881	–	–
Total NZ IFRS Adjustment		–	3,881	–	3,881
Total Restated under NZ IFRS at 1 January 2006		83,048	86,929	24,652	111,581

Impact on Parent Equity, Total Liabilities and Assets on initial transition to NZ IFRS at 31 December 2006:

		Profit and Loss \$000	Retained Earnings \$000	PARENT Total Equity \$000	Total Liabilities \$000	Total Assets \$000
Total Reported under Previous NZ GAAP		(6,331)	76,717	76,717	30,566	107,283
NZ IFRS Adjustments:						
Property, Plant and Equipment	(a)	–	–	–	–	(274)
Intangible Assets	(a)	–	–	–	–	274
Other Financial Assets	(b)	–	–	–	–	3,050
Cash Flow Hedge Reserve	(b)	–	–	3,050	–	–
Investments in Associates	(c)	–	–	–	–	112
Governance and Financial Expenditure	(c)	112	112	112	–	–
Total NZ IFRS Adjustment		112	112	3,162	–	3,162
Total Restated under NZ IFRS at 31 December 2006		(6,219)	76,829	79,879	30,566	110,445

Explanation of Transition to NZ IFRS

- (a) Certain computer software has been reclassified from Property, Plant and Equipment to Intangible Assets.
 (b) Certain forward foreign exchange contracts have been designated as Cash Flow Hedges.
 (c) Investments in Associates recognised at cost.

30.SUBSEQUENT EVENTS

No subsequent event has occurred since balance date that would materially impact the financial statements as at 31 December 2007.

TO THE MEMBERS OF NEW ZEALAND RUGBY UNION INCORPORATED

We have audited the financial statements on pages 34 to 60. The financial statements provide information about the past financial performance and financial position of the New Zealand Rugby Union Incorporated ("NZRU") and its subsidiaries (the "group") as at 31 December 2007. This information is stated in accordance with the accounting policies set out on pages 40 to 43.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the NZRU and the group as at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

AUDITOR'S RESPONSIBILITIES

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the NZRU and the group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of general accounting advice, we have no relationship with or interests in the NZRU or any of its subsidiaries.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the NZRU as far as appears from our examination of those records; and
- the financial statements on pages 34 to 60:
 - comply with generally accepted accounting practice in New Zealand, and
 - give a true and fair view of the financial position of the NZRU and the group as at 31 December 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 15 February 2008 and our unqualified opinion is expressed as at that date.



CHARTERED ACCOUNTANTS
Wellington, New Zealand

This audit report relates to the financial statements of New Zealand Rugby Union Incorporated for the year ended 31 December 2007 included on the New Zealand Rugby Union Incorporated (NZRU) website. NZRU is responsible for the maintenance and integrity of the NZRU website. We have not been engaged to report on the integrity of the NZRU website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 15 February 2008 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

