

Financial Report

Directors' Report

Your directors present their report on the consolidated entity consisting of New South Wales Rugby Union Limited and the entities it controlled at the end of, or during, the year ended 31 October 2006.

Directors

The following persons were directors of New South Wales Rugby Union Limited during the whole of the financial year and up to the date of this report:

Arvid Petersen (Chairman)

Laurie Maher

Mike Brown (Resigned 6 February 2006)

Ian Ross

Fraser Neill

Edwin Zemancheff

Will Jephcott

Bob Shield (Resigned 12 July 2006)

Dan Vickerman

Alan Williamson (Appointed 12 July 2006)

Barry Killham (Appointed 6 February 2006)

Principal activities

The principal continuing activities of the consolidated entity during the course of the year ended 31 October 2006 were the organisation and promotion of the game of Rugby Union in the State of New South Wales and the management of a professional Rugby Union team.

Review of operations

The surplus from ordinary activities after income tax of the consolidated entity was:

	2006	2005
	\$	\$
Surplus from ordinary activities after income tax	1,595,604	2,920,899

The continuing viability of the Company and the consolidated entity and their ability to continue as a going concern and meet their debts and commitments as they fall due are dependent upon the Company and the consolidated entity being successful in:

- receiving the continuing support of their members and the constituent bodies;
- achieving sufficient future cash flows to enable their obligations to be met;
- success in retaining and attracting new sponsorship and hospitality revenues and;
- indirectly, the performance of the Waratahs in the Super 14 competition.

The Board is committed to continuous monitoring of these factors and any impacts on the future projected cash flows. The Board is also committed to a long term strategy to effectively manage the Company's debt levels, and to effectively manage and maintain a sustainable working capital balance.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company and the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 31 October 2006 that have significantly affected, or may significantly affect:

- the Company's operations in future financial years, or
- the results of those operations in future financial years, or
- the Company's state of affairs in future financial years.

Financial Report

Directors' Report - continued

Likely developments and expected results of operations

The company and consolidated entity will continue in its activities of organising and promoting the game of Rugby Union in New South Wales as well as management of a professional Rugby Union team. Through performance improvements and stronger fiscal controls, the Company and consolidated entity will be seeking to steadily improve their financial positions.

The company expects to shortly finalise its contractual arrangements with the Australian Rugby Union in relation to the development of the new National Rugby Competition.

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Meetings of directors

The number of meetings of the company's board of directors held during the year ended 31 October 2006, and the numbers of meetings attended by each director were:

Full meetings of directors

	A	B
Aavid Petersen (Chairman)	7	8
Laurie Maher	8	8
Mike Brown (Resigned 6 February 2006)	3	3
Ian Ross	8	8
Fraser Neill	8	8
Edwin Zemancheff	7	8
Will Jephcott	8	8
Bob Shield (Resigned 12 July 2006)	6	6
Dan Vickerman	3	8
Alan Williamson (Appointed 12 July 2006)	2	2
Barry Killham (Appointed 6 February 2006)	5	5

A = Number of meetings attended

B = Number of meetings held during the time the director held office

Insurance of officers

During the financial year, New South Wales Rugby Union Limited paid a premium of \$27,500 to insure the directors and officers of the company and related entities.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the **Corporations Act 2001**.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the **Corporations Act 2001** is set out on page 58.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the **Corporations Act 2001**.

This report is made in accordance with a resolution of directors.



Fraser Neill
Director

Sydney

14/12/06

Financial Report

Directors' Report - continued

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers

ABN 52 780 433 757

Darling Park Tower 2

201 Sussex Street

GPO BOX 2650

SYDNEY NSW 1171

DX 77 Sydney

Australia

www.pwc.com/au

Telephone +61 2 8266 0000

Facsimile +61 2 8266 9999

Auditor's Independence Declaration

As lead auditor for the audit of New South Wales Rugby Union Limited for the year ended 31 October 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the **Corporations Act 2001** in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of New South Wales Rugby Union Limited and the entities it controlled during the period.



S Bosiljevac

Partner

PricewaterhouseCoopers

Sydney

14 December 2006

Financial Report

Corporate Governance Statement

31 October 2006

New South Rugby Union Ltd is committed to achieving and demonstrating the highest standards of corporate governance. The board continues to develop best practice corporate governance practices under which the board and senior management will operate. A summary of those practices now in place is set out below.

Corporate Reporting

The Chief Executive Officer and the Chief Financial Officer have certified to the board that the company's and consolidated entity's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and consolidated entity and are in accordance with relevant accounting standards.

Audit and Finance Committee

The Audit and Finance Committee consists of the following:

Will Jephcott (Chairman)

Laurie Maher

Barry Killham

The Audit & Finance Committee operates in accordance with a charter. Its primary function is to oversee, enhance and strengthen the finance and risk management processes of NSWRU. The main duties and responsibilities of the Audit and Finance Committee are:

- ◆ monitor the operational and financial aspects of the Company's and consolidated entity's activities and make appropriate recommendations to the Board;
- ◆ evaluate the adequacy of the Company's and consolidated entity's accounting control system;
- ◆ review all insurance coverage including Director's and Officer's Liability
- ◆ require reports from Management and/or external advisors on any significant proposed regulatory, insurance or reporting issue, to assess the potential impact upon the Company's finance or risk reporting processes;
- ◆ recommend to the Board the appointment and terms of engagement of the external auditors;
- ◆ review the annual financial statements with the Chief Financial Officer and the external auditors;
- ◆ monitor the standard of corporate conduct in areas such as arm's length dealings and likely conflicts of interest;
- ◆ establish and review the investment policies for reserve funds;
- ◆ establish and review the policies for debt financing.

Human Resources Committee

The Human Resources Committee consists of the following:

Arvid Petersen (Chairman)

Edwin Zemancheff

Alan Williamson

Ian Ross

The Remuneration Committee advises the board on human resource and remuneration policies and practices generally.

Financial Report

New South Wales Rugby Union Limited ABN 70 000 222 711

31 October 2006

Contents

	Page
Financial report	
Income statements	61
Balance sheets	62
Statements of changes in equity	63
Cash flow statements	64
Notes to the financial statements	66
Directors' declaration	78
Independent audit report to the members	79

This financial report covers both New South Wales Rugby Union Limited as an individual entity and the consolidated entity consisting of New South Wales Rugby Union Limited and its subsidiaries. The financial report is presented in the Australian currency.

New South Wales Rugby Union Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

New South Wales Rugby Union Limited
Gold Members Car Park
Aussie Stadium
Driver Avenue
MOORE PARK NSW 2021

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 56-58, which is not part of this financial report.

The financial report was authorised for issue by the directors on 11 December 2006. The company has the power to amend and reissue the financial report.

Financial Report

Income Statements

for the year ended 31 October 2006

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue from continuing operations	6	26,167,789	25,827,182	26,167,789	25,827,182
Other income	7	1,625	-	1,625	-
Sponsor costs		(1,053,219)	(1,228,475)	(1,053,219)	(1,228,475)
Marketing		(1,195,077)	(1,038,751)	(1,195,077)	(1,038,751)
Match day costs		(1,978,098)	(1,728,249)	(1,978,098)	(1,728,249)
Memberships costs		(337,255)	(425,474)	(337,255)	(425,474)
Teams and academy costs		(10,915,701)	(10,041,093)	(10,915,701)	(10,041,093)
Community Rugby		(3,525,345)	(2,785,081)	(3,525,345)	(2,785,081)
Premiership Rugby		(1,370,647)	(1,631,526)	(1,370,647)	(1,631,526)
Finance and administration		(3,810,091)	(3,292,564)	(3,970,091)	(3,643,230)
Management fees		(93,000)	(453,007)	(93,000)	(453,007)
Media operations		(375,399)	(301,211)	(375,399)	(301,211)
Finance costs	8	80,022	19,148	(16,217)	37,678
Surplus before income tax		1,595,604	2,920,899	1,339,365	2,588,763
Income tax expense		-	-	-	-
Net surplus		1,595,604	2,920,899	1,339,365	2,588,763

The above income statements should be read in conjunction with the accompanying notes.

Financial Report

Balance sheets

as at 31 October 2005

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
ASSETS					
Current assets					
Cash and cash equivalents	9	6,160,346	5,998,427	6,160,346	5,998,423
Trade and other receivables	10	2,310,169	2,109,012	2,310,169	2,108,992
Inventories	11	-	31,749	-	31,749
		8,470,515	8,139,188	8,470,515	8,139,164
Total current assets		8,470,515	8,139,188	8,470,515	8,139,164
Non-current assets					
Receivables	12	-	-	-	-
Other financial assets	13	-	-	18	18
Property, plant and equipment	14	303,010	366,055	303,010	366,055
Intangible assets	15	61,926	50,343	61,926	50,343
Total non-current assets		364,936	416,398	364,954	416,416
Total assets		8,835,451	8,555,586	8,835,469	8,555,580
LIABILITIES					
Current liabilities					
Trade and other payables	16	2,983,169	3,075,391	2,914,902	2,910,861
Borrowings	17	369,874	535,736	69,874	75,736
Provisions	18	1,728,329	3,701,887	1,728,329	3,701,887
Total current liabilities		5,081,372	7,313,014	4,713,105	6,688,484
Non-current liabilities					
Borrowings	19	74,539	158,636	74,539	158,636
Deferred income	20	1,000,000	-	1,000,000	-
Total non-current liabilities		1,074,539	158,636	1,074,539	158,636
Total liabilities		6,155,911	7,471,650	5,787,644	6,847,120
Net assets		2,679,540	1,083,936	3,047,825	1,708,460
EQUITY					
Members' funds	4	-	-	-	-
Accumulated surplus	21	2,679,540	1,083,936	3,047,825	1,708,460
Total equity		2,679,540	1,083,936	3,047,825	1,708,460

The above balance sheets should be read in conjunction with the accompanying notes.

Financial Report

Statements Of Changes In Equity

for the year ended 31 October 2006

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
Total equity at the beginning of the financial year		1,083,936	(1,836,963)	1,708,460	(880,303)
Surplus for the year	21	1,595,604	2,920,899	1,339,365	2,588,763
Total equity at the end of the financial year		2,679,540	1,083,936	3,047,825	1,708,460

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Financial Report

Cash Flow Statements

for the year ended 31 October 2006

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Cash receipts from matches, supporters, sponsors, members, etc (inclusive of GST)		28,753,560	29,735,397	28,753,540	29,735,397
Cash payments to suppliers and employees (inclusive of GST)		(28,363,520)	(23,976,570)	(28,427,257)	(24,001,236)
		390,040	5,758,827	326,283	5,734,161
Interest received / (paid)		326,136	(45,519)	229,897	(45,519)
Net cash inflow from operating activities	27	716,176	5,713,308	556,180	5,688,642
Cash flows from investing activities					
Payments for property, plant and equipment		(263,241)	(160,416)	(263,241)	(160,416)
Payments for intangibles		(42,797)	(50,343)	(42,797)	(50,343)
Proceeds from sale of property, plant and equipment		1,740	-	1,740	-
Net cash outflow from investing activities		(304,298)	(210,759)	(304,298)	(210,759)
Cash flows from financing activities					
Loan repayment to related parties - ARU		(62,843)	(88,692)	(62,843)	(88,692)
Repayment of lease liability		(27,116)	(7,822)	(27,116)	(7,822)
Repayment of bond holders		(160,000)	(40,000)	-	-
Net cash outflow from financing activities		(249,959)	(136,514)	(89,959)	(96,514)
Net increase in cash and cash equivalents		161,919	5,366,035	161,923	5,381,369
Cash and cash equivalents at the beginning of the financial year		5,998,427	632,392	5,998,423	617,054
Cash and cash equivalents at end of year	9	6,160,346	5,998,427	6,160,346	5,998,423
Financing arrangements	19				
Non-cash financing and investing activities	28				

The above cash flow statements should be read in conjunction with the accompanying notes.

Financial Report

Contents Of The Notes To The Financial Statements

31 October 2006

	Page
1 Summary of significant accounting policies	66
2 Financial risk management	68
3 Critical accounting estimates and judgements	68
4 Members' liability	68
5 Segment information	69
6 Revenue	69
7 Other income	69
8 Expenses	69
9 Current assets - Cash and cash equivalents	70
10 Current assets - Trade and other receivables	70
11 Current assets - Inventories	70
12 Non-current assets - Receivables	70
13 Non-current assets - Other financial assets	70
14 Non-current assets - Property, plant and equipment	71
15 Non-current assets - Intangible assets	72
16 Current liabilities - Trade and other payables	73
17 Current liabilities - Borrowings	73
18 Current liabilities - Provisions	74
19 Non-current liabilities - Borrowings	74
20 Non-current liabilities - Deferred income	74
21 Reserves and accumulated funds	74
22 Remuneration of auditors	75
23 Commitments	75
24 Related party transactions	76
25 Subsidiaries	77
26 Economic dependency	77
27 Reconciliation of surplus after income tax to net cash inflow from operating activities	77
28 Non-cash investing and financing activities	77

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for New South Wales Rugby Union Limited as an individual entity and the consolidated entity consisting of New South Wales Rugby Union Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of New South Wales Rugby Union Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

The Board have assessed the transition to AIFRS as at 1 November 2004 and note that there are no material impacts to both the consolidated and parent company financial statements. Consequently, no adjustments have been made following the transition to AIFRS.

Going concern

The continuing viability of the Company and the consolidated entity and their ability to continue as a going concern and meet their debts and commitments as they fall due are dependent upon the Company and the consolidated entity being successful in :

- a) receiving the continuing support of their members and the constituent bodies; and
- b) achieving sufficient future cash flows to enable their obligations to be met; and
- c) success in retaining and attracting new sponsorship and hospitality revenues and;
- d) indirectly, the performance of the Waratahs in the Super 14 competition.

The Board is committed to continuous monitoring of these factors and any impacts on the projected cash flows for 2007 and 2008. The Committee is also committed to the development of an appropriate medium to long term strategy to effectively manage the Company's debt levels, and to establish a sustainable working capital position.

The 2007 forecast is considered to be attainable and is expected to improve the financial position of the Company and the consolidated entity

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New South Wales Rugby Union Limited ("company") as at 31 October 2006 and the results of all subsidiaries for the year then ended. New South Wales Rugby Union Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Inter-company transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are accounted for at cost in the individual financial statements of New South Wales Rugby Union Limited.

(c) Revenue recognition

Revenue from memberships, match day tickets and grants is measured at fair value and taken to income in the period to which it relates.

Revenue from sponsorship is measured at the present value on a straight line basis over the life of the contract.

Interest income is recognised on a time proportion basis using the effective interest method,

(d) Income tax

The company and its controlled entities are exempt from income tax in accordance with the provisions of section 23(g) of the Income Tax Assessment Act.

(e) Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases (note 14). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(f) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term (a)
Office equipment	5 years
Leased motor vehicles	5 years
Plant and equipment	10 years

(a) The cost of other leasehold improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 4 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(g) Intangible assets

(i) Trademarks, licences and website costs

Trademarks, licences and website costs have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks, licences and website costs over their estimated useful lives, which vary from 3 to 5 years.

(h) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the economic entity prior to the end of the financial year and which are unpaid. The amounts are unsecured.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(k) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(l) Provisions

Provisions for legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

All employees of the consolidated entity are entitled to benefits on retirement, disability or death from BT Lifetime Super Employer Plan or other nominated funds of those employees. The BT Lifetime Super Employer Plan is an accumulation fund, contributions being made by the economic entity at a rate of 9% (up to the maximum contribution base) of wages and salaries on behalf of the employees. The entities contributions are legally enforceable.

(n) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

(p) Inventories

(i) Consumables

Consumables are stated at the lower of cost and net realisable value. Cost comprises purchase cost and delivery cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 October 2006 reporting periods. The Company has not assessed the possible impact of the application of the new Accounting Standards on the entity's financial report in the period of initial application.

(s) Deferred income

Income is deferred on the balance sheet until it has been earned, at which point the deferred income is recognised as income.

2 Financial risk management

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried under policies approved by the Board of Directors.

(a) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Board manages its liquidity risk through rigorous budget setting and review of performance procedures.

(c) Cash flow and fair value interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

The Company's interest-rate risk arises from long-term borrowings but the current borrowing structure is such that only fixed interest-rates apply thus minimising the interest-rate risk.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 Members' liability

In the event of the winding up of the Company, members may be required to contribute a maximum of \$100 each. Currently there are 15 members of New South Wales Rugby Union Limited.

Financial Report

Notes To The Financial Statements

31 October 2006

5 Segment information

The Company and consolidated entity operate in one industry being the organisation and promotion of the game of Rugby Union in New South Wales. This activity is completed in one geographical location, that being Australia.

6 Revenue

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
From continuing operations				
Sponsorship	4,722,777	3,948,985	4,722,777	3,948,985
Corporate hospitality	747,831	872,642	747,831	872,642
Match day proceeds	6,036,910	7,868,378	6,036,910	7,868,378
Aussie stadium rebate	1,225,000	473,474	1,225,000	473,474
Premier rugby	351,291	376,625	351,291	376,625
Memberships	823,162	560,844	823,162	560,844
Licensing	156,785	142,362	156,785	142,362
Coaching and development	160,094	240,577	160,094	240,577
ARU Funding	10,114,213	9,791,369	10,114,213	9,791,369
Other grants	79,091	144,800	79,091	144,800
Affiliation fees	60,000	60,000	60,000	60,000
Other income	123,003	64,677	123,003	64,677
Rugby World Cup distribution (non-recurring)	1,321,518	1,173,208	1,321,518	1,173,208
	25,921,675	25,717,941	25,921,675	25,717,941
Other revenue				
Interest	246,114	109,241	246,114	109,241
	26,167,789	25,827,182	26,167,789	25,827,182

7 Other income

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Net gain on disposal of property, plant and equipment	1,625	-	1,625	-

8 Expenses

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Surplus before income tax includes the following specific expenses:				
Depreciation				
Buildings	1,587	-	1,587	-
Plant and equipment	149,848	45,743	149,848	45,743
Leasehold improvements	174,736	166,300	174,736	166,300
Total depreciation	326,171	212,043	326,171	212,043
Amortisation				
Trademarks, licenses and website costs	31,214	10,538	31,214	10,538
Total amortisation	31,214	10,538	31,214	10,538
Finance costs				
Interest and finance charges paid/payable	(80,022)	(19,148)	16,217	(37,678)
Finance costs expensed	(80,022)	(19,148)	16,217	(37,678)
Rental expense relating to operating leases				
Minimum lease payments	324,228	291,087	324,228	291,087
Total rental expense relating to operating leases	324,228	291,087	324,228	291,087
Defined contribution superannuation expense	630,000	469,621	630,000	469,621

Financial Report

Notes To The Financial Statements

31 October 2006

9 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Cash at bank and in hand	2,544,806	4,948,069	2,544,806	4,948,065
Deposits at call	3,615,540	1,050,358	3,615,540	1,050,358
	6,160,346	5,998,427	6,160,346	5,998,423

10 Current assets - Trade and other receivables

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Trade receivables	1,853,567	512,640	1,853,567	512,620
Provision for doubtful receivables	(86,834)	(86,500)	(86,834)	(86,500)
	1,766,733	426,140	1,766,733	426,120
Other receivables	304,405	1,613,990	304,405	1,613,990
Prepayments	239,031	68,882	239,031	68,882
	2,310,169	2,109,012	2,310,169	2,108,992

11 Current assets - Inventories

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Consumables at cost	-	31,749	-	31,749

12 Non-current assets - Receivables

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Homan Pty Limited as trustee for NSWRU Trust	-	-	-	328,510
NSWRU Finance Limited	-	-	-	340,000
Rugby Ground Administration Pty Limited	-	-	-	1,098,988
Provision for doubtful receivable	-	-	-	(1,767,498)
	-	-	-	-

During the year, the inter-company debts with subsidiary entities were forgiven in accordance with a resolution passed by the Board. This was as a result of commencing a liquidation process of the subsidiary entities.

13 Non-current assets - Other financial assets

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Shares in subsidiaries (note 25)	-	-	18	18

Financial Report

Notes To The Financial Statements

31 October 2006

14 Non-current assets - Property, plant and equipment

Consolidated and parent	Centre of Excellence leasehold improvements	Plant and equipment	Aussie Stadium leasehold improvements	Total
	\$	\$	\$	\$
At 1 November 2004				
- Cost	-	698,934	641,880	1,340,814
Accumulated depreciation	-	(612,348)	(345,705)	(958,053)
Net book amount	-	86,586	296,175	382,761
Year ended 31 October 2005				
Opening net book amount	-	86,586	296,175	382,761
Additions	23,284	127,192	44,861	195,337
Depreciation charge	-	(45,743)	(166,300)	(212,043)
Closing net book amount	23,284	168,035	174,736	366,055
At 31 October 2005				
- Cost	23,284	826,126	686,741	1,536,151
Accumulated depreciation	-	(658,091)	(512,005)	(1,170,096)
Net book amount	23,284	168,035	174,736	366,055
Consolidated and parent				
	Centre of Excellence leasehold improvements	Plant and equipment	Aussie Stadium leasehold improvements	Total
	\$	\$	\$	\$
Year ended 31 October 2006				
Opening net book amount	23,284	168,035	174,736	366,055
Additions	167,406	95,835	-	263,241
Written down value of disposals	-	(115)	-	(115)
Depreciation charge	(1,587)	(149,848)	(174,736)	(326,171)
Closing net book amount	189,103	113,907	-	303,010
At 31 October 2006				
- Cost	190,690	921,253	686,741	1,798,684
Accumulated depreciation	(1,587)	(807,346)	(686,741)	(1,495,674)
Net book amount	189,103	113,907	-	303,010

Financial Report

Notes To The Financial Statements

31 October 2006

14 Non-current assets - Property, plant and equipment - continued

Parent	Total \$
At 1 November 2004	
- Cost	1,340,814
Accumulated depreciation	(958,053)
Net book amount	382,761
Year ended 31 October 2005	
Opening net book amount	382,761
Additions	195,337
Depreciation charge	(212,043)
Closing net book amount	366,055
At 31 October 2005	
- Cost	1,536,151
Accumulated depreciation	(1,170,096)
Net book amount	366,055
Year ended 31 October 2006	
Opening net book amount	366,055
Additions	263,241
Written down value of disposals	(115)
Depreciation charge	(326,171)
Closing net book amount	303,010
At 31 October 2006	
- Cost	1,798,684
Accumulated depreciation	(1,495,674)
Net book amount	303,010

15 Non-current assets - Intangible assets

Consolidated and parent	Trademarks, licenses and website costs \$	Total \$
At 1 November 2004		
Cost	71,602	71,602
Accumulated amortisation and impairment	(61,064)	(61,064)
Year ended 31 October 2005		
Opening net book amount	10,538	10,538
Additions	50,343	50,343
Amortisation charge	(10,538)	(10,538)
Closing net book amount	50,343	50,343
At 31 October 2005		
Cost	121,945	121,945
Accumulated amortisation and impairment	(71,602)	(71,602)
Net book amount	50,343	50,343
Year ended 31 October 2006		
Opening net book amount	50,343	50,343
Additions	42,797	42,797
Amortisation charge	(31,214)	(31,214)
Closing net book amount	61,926	61,926
At 31 October 2006		
Cost	164,742	164,742
Accumulated amortisation and impairment	(102,816)	(102,816)
Net book amount	61,926	61,926

Financial Report

Notes To The Financial Statements

31 October 2006

15 Non-current assets - Intangible assets - continued

Parent	Total \$
At 1 November 2004	
Cost	71,602
Accumulated amortisation and impairment	(61,064)
Net book amount	10,538
Opening net book amount	10,538
Additions	50,343
Amortisation charge	(10,538)
Closing net book amount	50,343
At 31 October 2005	
Cost	121,945
Accumulated amortisation and impairment	(71,602)
Net book amount	50,343
Year ended 31 October 2006	
Opening net book amount	50,343
Additions	42,797
Amortisation charge	(31,214)
Closing net book amount	61,926
At 31 October 2006	
Cost	164,742
Accumulated amortisation and impairment	(102,816)
Net book amount	61,926

16 Current liabilities - Trade and other payables

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Trade payables	699,557	587,631	699,557	587,631
Other payables	2,283,612	2,487,760	2,215,345	2,323,230
	2,983,169	3,075,391	2,914,902	2,910,861

17 Current liabilities - Borrowings

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Secured				
Lease liabilities (note 23)	7,682	13,592	7,682	13,592
Unsecured				
Australian Rugby Union (a)	62,192	62,144	62,192	62,144
"B" series notes (b)	300,000	460,000	-	-
Total unsecured current borrowings	362,192	522,144	62,192	62,144
Total current borrowings	369,874	535,736	69,874	75,736

(a) The ARU loan was established to provide funding for the fit-out of the NSWRU office at Aussie Stadium. The loan is repayable over six years. Interest is charged on the outstanding balance at 9.03%.

(b) The 'B' series notes are repayable with 12 months notice by the note holder. They attract an annual interest rate of 4% and entitle the holder to a preferable rate to purchase corporate hospitality at NSWRU fixtures.

Financial Report

Notes To The Financial Statements

31 October 2006

18 Current liabilities - Provisions

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Employee benefits (a)	200,666	238,520	200,666	238,520
Income received in advance	1,527,663	3,463,367	1,527,663	3,463,367
	1,728,329	3,701,887	1,728,329	3,701,887

(a) Superannuation

All employees of the consolidated entity are entitled to benefits on retirement, disability or death from BT Lifetime Super Employer Plan or other nominated funds of those employees. The BT Lifetime Super Employer Plan is an accumulation fund, contributions being made by the economic entity at a rate of 9% (up to the maximum contribution base) of wages and salaries on behalf of the employees. The entities contributions are legally enforceable.

19 Non-current liabilities - Borrowings

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Secured				
Lease liabilities (note 23)	19,986	41,192	19,986	41,192
Total secured non-current borrowings	19,986	41,192	19,986	41,192
Unsecured				
Australian Rugby Union	54,553	117,444	54,553	117,444
Total unsecured non-current borrowings	54,553	117,444	54,553	117,444
Total non-current borrowings	74,539	158,636	74,539	158,636

(a) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
ARU overdraft facility	-	1,000,000	-	1,000,000

This facility was negotiated with the Australian Rugby Union in October 2003 at an interest rate of 6.3% for a period of 2 years.

20 Non-current liabilities - Deferred income

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Income in advance	1,000,000	-	1,000,000	-

Income in advance relates to an upfront payment of \$1,000,000 received in the year in relation to the contractual arrangements with Telstra Stadium. The amount will be released as it is earned from 2014.

21 Reserves and accumulated funds

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
(a) Reserves				
Accumulated surplus				

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Opening accumulated surplus (deficit)	1,083,936	(1,836,963)	1,708,460	(880,303)
Net surplus for the year	1,595,604	2,920,899	1,339,365	2,588,763
Balance 31 October	2,679,540	1,083,936	3,047,825	1,708,460

Financial Report

Notes To The Financial Statements

31 October 2006

22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
PricewaterhouseCoopers Australian firm				
Audit of financial reports and other audit work under the Corporations Act 2001	46,500	46,500	46,500	46,500
Other assurance services				
PricewaterhouseCoopers Australian firm				
AIFRS transition	12,500	-	12,500	-
Other assurance services	5,500	8,500	5,500	8,500
Related practices of PricewaterhouseCoopers Australian firm				
Liquidation services	10,000	-	10,000	-
Total remuneration for other assurance services	28,000	8,500	28,000	8,500
Total remuneration	74,500	55,000	74,500	55,000

23 Commitments

(a) Capital commitments

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Property, plant and equipment				
Payable:				
Within one year	4,019,650	-	4,019,650	-

The company has entered into an agreement with the Sydney Cricket & Sports Ground Trust for the construction and occupation of new premises within the Aussie Football Stadium precinct. The Trust has committed to contributing \$4.04 million to the cost of constructing these premises with the company contributing the balance, currently estimated to be a further \$4.02 million.

(b) Lease commitments

(i) Operating leases

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	505,037	324,228	505,037	324,228
Later than one year but not later than five years	2,544,757	48,240	2,544,757	48,240
Commitments not recognised in the financial statements	3,049,794	372,468	3,049,794	372,468

The company has entered into an agreement with the Sydney Cricket & Sports Ground Trust for the construction and occupation of new premises within the Aussie Football Stadium precinct. The term of this agreement is 10 years with an option for a further 5 years. Included within operating lease commitments above is a provision for rental payable under the agreement.

(ii) Finance leases

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Commitments in relation to finance leases are payable as follows:				
Within one year	8,495	17,006	8,495	17,006
Later than one year but not later than five years	21,996	44,018	21,996	44,018
Minimum lease payments	30,491	61,024	30,491	61,024
Future finance charges	(2,823)	(6,240)	(2,823)	(6,240)
Recognised as a liability	27,668	54,784	27,668	54,784
Representing lease liabilities:				
Current (note 17)	7,682	13,592	7,682	13,592
Non-current (note 19)	19,986	41,192	19,986	41,192
	27,668	54,784	27,668	54,784

Financial Report

Notes To The Financial Statements

31 October 2006

(c) Remuneration commitments

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	4,835,026	5,029,333	4,835,026	5,029,333
Later than one year and not later than five years	2,894,081	4,248,333	2,894,081	4,248,333
	7,729,107	9,277,666	7,729,107	9,277,666

24 Related party transactions

(a) Parent entities

The ultimate controlling entity in the wholly owned group is New South Wales Rugby Union Limited.

(b) Directors

The names of persons who were directors of New South Wales Rugby Union Limited at any time during the financial year are as follows: Arvid Petersen (Chairman), Mike Brown, Laurie Maher, Ian Ross, Fraser Neill, Edwin Zemancheff, Will Jephcott, Bob Shields, Dan Vickerman, Alan Williamson and Barry Killham.

(c) Subsidiaries

Interests in subsidiaries are set out in note 25.

(d) Key management and personnel compensation

Key management personnel compensation for the years ended 31 October 2006 and 2005 is set out below. The key management personnel of New South Wales Rugby Union Limited includes the directors of the Company.

	Short-term benefits \$	Post-employment benefits \$	Total \$
2006	1,560,543	88,479	1,649,022
2005	1,193,938	72,599	1,266,537

(e) Other transactions with key management personnel or entities related to them

There were no transactions with directors or director-related entities during 2006 year.

(f) Transactions with related parties

Transactions between New South Wales Rugby Union Limited and its controlled entities consists of the advance of funds to finance operations. No interest is charged on intercompany indebtedness.

	Parent	
	2006 \$	2005 \$
Current receivables	-	1,767,498
Less: Doubtful debts provision	-	(1,767,498)
	-	-

During the year, the inter-company debts with subsidiary entities were forgiven in accordance with a resolution passed by the Board. This was as a result of commencing a liquidation process of the subsidiary entities.

(g) Australian Rugby Union Limited ("ARU")

The company conducts numerous transactions with the ARU in the normal course of the administration of the game of Rugby Union in the State of New South Wales. Under an agreement with the ARU the annual grants and player subsidies to the company were \$10,114,213 in the year to 31 October 2006 (2005: \$9,791,369). The loans due to the ARU are detailed in notes 17 and 19.

Financial Report

Notes To The Financial Statements

31 October 2006

25 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2006 %	2005 %
Rugby Ground Administration Pty Limited	Australia	Ordinary	78	78
Homan Pty Limited	Australia	Ordinary	100	100
NSWRU Finance Limited	Australia	Ordinary	100	100
Ranrub Pty Limited	Australia	Ordinary	100	100
NSW Foundation Pty Limited	Australia	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.

26 Economic dependency

New South Wales Rugby Union Limited depends for a significant volume of revenue on Australian Rugby Union Limited. During the year ended 31 October 2006, approximately 39% (2005: 42%) of the revenue came from Australian Rugby Union Limited. This is supported by a Memorandum of Understanding between the Australian Rugby Union and its Member Unions. The current Memorandum of Understanding runs to 31 December 2008.

27 Reconciliation of surplus after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Surplus for the year	1,595,604	2,920,899	1,339,365	2,588,763
Depreciation and amortisation	357,385	222,581	357,385	222,581
Net gain on sale of non-current assets	(1,625)	-	(1,625)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity and sale of discontinued operation				
Decrease (increase) in receivables	(31,008)	684,650	(31,028)	684,650
Decrease in inventories	31,749	2,931	31,749	2,931
Increase in other operating assets	(170,149)	(61,195)	(170,149)	(61,195)
Increase (decrease) in creditors & other borrowings	(92,222)	1,778,493	4,041	2,085,963
Increase (decrease) in other provisions	(973,558)	164,949	(973,558)	164,949
Net cash (outflow) inflow from operating activities	716,176	5,713,308	556,180	5,688,642

28 Non-cash investing and financing activities

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
Acquisition of plant and equipment by means of finance leases	-	34,921	-	34,921

Financial Report

Directors' Declaration

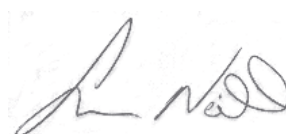
31 October 2006

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 60 to 77 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at Tuesday, 31 October 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.



Fraser Neill
Director

Sydney

14/12/06

Financial Report

Independent Audit Report

31 October 2006

Independent audit report to the members of New South Wales Rugby Union Limited

PRICEWATERHOUSECOOPERS

ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street

GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia

www.pwc.com/au

Telephone +61 2 8266 0000

Facsimile +61 2 8266 9999

Audit opinion

In our opinion, the financial report of New South Wales Rugby Union Limited:

- ◆ gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of New South Wales Rugby Union Limited and the New South Wales Rugby Union Group (defined below) as at 31 October 2006, and of their performance for the year ended on that date, and
- ◆ is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheets, income statements, cash flow statements, statements of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both New South Wales Rugby Union Limited (the company) and the New South Wales Rugby Union Group (the consolidated entity), for the year ended 31 October 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

Liability limited by a scheme approved under Professional Standards Legislation

Financial Report

Independent Audit Report

31 October 2006

Independent audit report to the members of New South Wales Rugby Union Limited

We formed our audit opinion on the basis of these procedures, which included:

- ◆ examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- ◆ assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



Steven Bosiljevac
Partner

Sydney
14 December 2006