FINANCIAL ANALYSIS & REPORT

DIRECTORS' REPORT

The Directors of Australian Rugby Union Limited ("the Company") submit herewith their report together with the financial report of the Company for the year ended 31 December 2004 and the Auditors' report thereon. In order to comply with the provisions of the Corporations Act 2001 the Directors report as follows:

1. The names and particulars of the Directors who held office at any time during or since the end of the financial year are:

MR R A TUCKEY AM Chairman

Chartered Accountant, aged 60. Joined the Board in May 1997. Appointed Chairman in June 2001.

Chairman of Board Policy and Governance Committee and member of Human Resource Committee.

MR G FLOWERS

Managing Director and CEO, aged 52. Joined the Board 16 June 2004.

Member of the Board Policy and Governance Committee.

MR W BARRETT

Company Director, aged 57. Joined the Board in October 2002.

Chairman of Audit and Compliance Committee and member of Board Policy and Governance Committee.

MR D BREE

Public Servant, aged 53. Joined the Board in March 2001.

Member of Audit and Compliance Committee.

MR J COLLINS

Company Director, Aged 54. Joined the Board in December 2003.

Member of Board Policy and Governance Committee.

MR D CROMBIE

Company Director, aged 60. Joined the Board in February 1999.

Resigned 30 April 2004.

MR R GRAHAM

Management Consultant, aged 57. Joined the Board in March 2000.

Chairman of Human Resource Committee and Member of Board Policy and Governance Committee.

MR T HALL

Players Representative, Aged 32. Joined the Board in December 2003.

Member of Audit and Compliance Committee.

MR B KEHOE

Company Director, Aged 55. Joined the Board 30 April 2004.

Member of Audit and Compliance Committee.

MR D KUMAR

Company Director, aged 52. Joined the Board in July 2000.

Member of Human Resource Committee.

MR J A O'NEILL AO

Managing Director and CEO, aged 53. Joined the Board in October 1995.

Mr O'Neill resigned as a Director and CEO on 27 February 2004.

2. Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors	Meetings	Audit and Compliance Committee Meetings		Human Resource Committee Meetings		Board Policy & Governance Committee Meetings	
	A	B	A	B	A	B	A	B
Mr R A Tuckey	14	14	-	-	3	3	2	2
Mr J A O'Neill	1	1	-	-			-	
Mr G Flowers	9	9					1	1
Mr D Crombie	3	4	1	1			-	-
Mr D Bree	14	14	2	2	-	-	-	-
Mr R Graham	12	14	-	-	2	3	2	2
Mr D Kumar	14	14			3	3	-	-
Mr W Barrett	14	14	2	2	-	-	2	2
Mr T Hall	14	14	1	1	-	-	-	-
Mr J Collins	12	14	-	-	-	-	2	2
Mr B Kehoe	11	11	1	1	-	-	-	-

A - Number of Meetings Attended

B - Reflects the number of meetings held during the time the Director held office during the year

3. Principal Activities

The Company's principal activities in the course of the financial year were the promotion, efficiency, progress, development and general control of the game of rugby. No significant change in the nature of this activity occurred during the year.

4. Review of Operations

The operating surplus for the financial year before allocations and other payments to Member Unions was $4,008,896 (2003: $39,395,472). Allocations to Member Unions for coaching and development were $8,372,015 (2003: $6,416,409).

The net deficit for the financial year after allocations and other payments to Member Unions was $4,363,119 (2003: $32,979,063 Surplus).

Detailed commentary on the Company's operations are included in the Chairman's Report, Managing Director's Report, President's Report, Rugby Division Report and the Finance Department's report included in the 2004 Annual Report.

5. Subsequent Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to effect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

6. Environmental Regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

7. Directors' Benefits

Information on directors' benefits is set out in the following notes to the financial statements:

1) Note 28: Remuneration of Directors

2) Note 29: Related parties

8. Derivatives and other financial instruments

The Company's activities expose it to changes in interest rates and foreign exchange rates. It is also exposed to credit, liquidity and cash flow risks from its operations. The Board has confirmed policies and procedures in each of these areas to manage these exposures. Management reports to the Directors on a regular basis as to the monitoring of policies in place, and adherence to the policies is strictly observed.

It is the Company's policy to use derivative financial instruments to hedge cash flows subject to foreign exchange rate risks. Derivative financial instruments are not held for speculative purposes. Exposures, including related derivative hedges are reported to the Directors on a regular basis.

Financing facilities and operating cash flows are managed to ensure that the Company is not exposed to any adverse liquidity risks. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

FINANCIAL ANALYSIS & REPORT

DIRECTORS' REPORT (continued)

9. Indemnification and Insurance of Directors and Officers

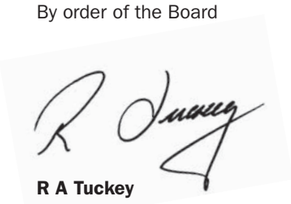
In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses or liabilities incurred by the person as an officer of the Company incurred in defending proceedings whether civil of criminal, in which judgement is given in favour of the person or in which the person in acquitted; or in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act 2001.

In respect to this indemnity, the Company has paid insurance premiums of $47,080 in respect of Directors' and Officers' Liability insurance contracts for current and former Directors and Officers of the Company. The insurance policies do not contain details of the premiums paid in respect of individual Directors or Officers of the Company.

10. Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

By order of the Board



R A Tuckey
Director

G Flowers
Director

Sydney
6 April 2005

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 31 December 2004

	Note	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Revenue from ordinary activities			
Broadcasting licence fees		29,671	27,194
Sponsorships		17,154	17,388
Net gate takings and match fees		12,938	11,354
Corporate hospitality		3,882	3,284
Government grants		574	561
Licensing revenue		1,583	2,639
Affiliation fees		21	21
Interest received		2,695	3,668
Rugby World Cup 2003		-	221,473
Other revenue		1,413	1,895
	3	**69,931**	**289,477**
Operating Expenditure			
Commercial operations		12,811	12,396
Finance and administration		9,645	9,222
Media and communications		1,034	1,268
Rugby operations and community rugby		4,868	4,546
High Performance		12,765	12,867
Super 12 grants and player payments		22,876	26,009
Super 12 costs		1,894	1,846
Borrowing costs		29	130
Rugby World Cup 2003		-	181,798
		65,922	**250,082**
Surplus from ordinary activities for the year before allocations to Member Unions	4	**4,009**	**39,395**
Allocations to Member Unions		(8,372)	(6,416)
Net (deficit)/surplus for the year	20	**(4,363)**	**32,979**

The statement of financial performance is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION as at 31 December 2004

	Note	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Current assets			
Cash	8	35,303	82,214
Receivables	9	3,275	22,149
Inventory	10	214	280
Property, plant and equipment	12	2,537	-
Other assets	11	145	94
Total current assets		**41,474**	**104,737**
Non-current assets			
Receivables	9	367	441
Property, plant and equipment	12	1,417	4,506
Intangible assets	13	120	171
Total non-current assets		**1,904**	**5,118**
Total assets		**43,378**	**109,855**
Current liabilities			
Payables	14	8,494	70,070
Deferred revenue	15	597	308
Interest-bearing liabilities	16	241	274
Provisions	17	938	1,281
Total current liabilities		**10,270**	**71,933**
Non-current liabilities			
Deferred revenue	15	1,363	1,645
Interest-bearing liabilities	16	258	447
Provisions	17	210	190
Total non-current liabilities		**1,831**	**2,282**
Total liabilities		**12,101**	**74,215**
Net assets		**31,277**	**35,640**
Equity			
Reserves	19	1,765	1,765
Retained surplus	20	29,512	33,875
Total equity		**31,277**	**35,640**

The statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS for the year ended 31 December 2004

	Note	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Cash flows from operating activities			
Cash receipts in the course of operations		72,998	63,491
Cash receipts in relation to RWC 2003		19,186	175,450
Cash payments in the course of operations		(70,259)	(66,485)
Cash payments in relation to RWC 2003		(62,698)	(104,664)
Net cash provided by operating activities	26(ii)	**(40,773)**	**67,792**
Cash flows from investing activities			
Interest received		2,695	3,668
Proceeds from sale of property, plant & equipment		90	-
Payments for property, plant & equipment		(166)	(1,412)
Payments for intangibles		(125)	(109)
Net cash provided by investing activities		**2,494**	**2,147**
Cash flows from financing activities			
Loan repayments to News Ltd		-	(1,533)
Loan repayments from NSWRU		-	1,589
Repayment of hire purchase liability		-	(459)
Repayment of lease liability		(222)	(237)
Borrowing costs paid		(29)	(130)
Allocations to Member Unions		(8,372)	(6,416)
Net cash used in financing activities		**(8,623)**	**(7,186)**
Net increase/(decrease) in cash held		**(46,902)**	**62,753**
Cash at beginning of year		82,214	19,461
Cash at end of year	26(i)	**35,303**	**82,214**

The statement of cash flows is to be read in conjunction with the notes to the financial statements

FINANCIAL ANALYSIS & REPORT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

Note 1. Statement of significant accounting policies

The significant policies adopted in the preparation of this financial report are:

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been consistently applied, except where indicated. Where necessary, comparative information has been reclassified to achieve consistency with the current financial year.

Change in financial year

During the 2003 year, the Company sought and was granted approval from the Australian Securities and Investments Commission to change the end of its financial year from 31 October to 31 December. The purpose was to align the financial year with the commercial rugby playing year.

As a consequence, the 2004 financial report reflects a 12 month period whereas the comparative balances are for a 14 month period.

b) Revenue recognition

Broadcasting licence fees

Revenue earned from the sale of broadcasting licence fees is recognised on the basis that receipts for a calendar year, under the News Agreement (refer note 22(i)), equate to the period in which the benefit arises.

Sponsorship

Revenue earned from sponsorship agreements is recognised when the benefit arises under the terms of the contract. Sponsorship revenue is recognised gross of sponsorship servicing costs.

Government grants

Government grants are recognised on an accruals basis for the period relating to the grant.

Non-cash income

Non-cash items received by way of sponsorship, marketing and contra agreements are recognised on an accruals basis at the lower of fair market value or the value specified in the agreement.

Gate takings and match fees

Revenue from matches is recognised as the individual matches are staged.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the affective yield on the financial asset.

Revenue received in advance

Revenue received in advance, relating to sponsorship and licensing revenue and revenue associated with the Wallaby First Programme is deferred and amortised over the periods to which the revenue relates or the periods during which the Company provides contracted benefits.

Rugby World Cup 2003 ("RWC 2003")

All revenue relating to the staging of the RWC 2003 was brought to account in the 2003 financial period and was presented on a gross basis as required by the Host Union Agreement with Rugby World Cup Limited. The final of the Rugby World Cup Tournament was held on 22 November 2003.

Commissions on revenue

All revenue is recognised net of any commissions payable.

Other revenue

Other revenue is recognised when the contractual commitment becomes receivable.

c) Allocations to member unions

Amounts allocated and paid to member unions are in the form of non-repayable grants to enable those unions to carry out the development, promotion and management of the game of rugby. These allocations are brought to account on an accrual basis and are recognised as a financing activity as the funds are used to finance the operations of the member unions.

d) Receivables

Trade debtors

Trade debtors to be settled within 30 days are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Other debtors

Other debtors comprise other amounts owing to the Company and unused contra sponsorship arrangements.

e) Prepayments and deferred expenditure

Items of expenditure are recognised as prepaid and deferred to the extent that the benefits are recoverable out of future revenues and do not relate solely to revenue which has already been brought to account. These items include appropriate proportions of expenses incurred, expenses incurred in securing television rights, sponsorships and Stadium Australia agreements for subsequent financial years.

f) Non-current assets

The carrying amounts of all non-current assets valued on the cost basis are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

g) Property, plant and equipment

Items of property, plant and equipment including plant and equipment under hire-purchase and finance lease are recorded at cost and are depreciated on a straight line basis so as to write off the cost of each asset over its expected useful life.

Items of property, plant and equipment, including buildings are depreciated on a straight line basis over their estimated useful lives. The depreciation rates used for each class of asset are as follows:

	2004	2003
Buildings (property under strata title)	1%	1%
Plant and equipment	5% -50%	5% -50%
Plant and equipment under hire-purchase	15%	15%
Plant and equipment under finance lease	25%	25%

Plant and equipment under hire purchase

An asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the agreement. Liabilities are reduced by repayments of principal. The interest components of the payments are expensed. Refer to Notes 12 and 16 for details of the asset and liability associated with the hire-purchase agreements. Finance costs on the agreements are expensed as incurred.

Plant and equipment under finance lease

An asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the leases. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Refer to Notes 12 and 16 for details of the asset and liability associated with the lease agreement. Finance costs on the leases are expensed as incurred.

Operating leases

Payments made under operating leases are charged against profits in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

h) Intangibles

Intangibles include the cost of registering licensed trademarks. They are amortised on a straight line basis over three years, which approximates the period of registration and the periods during which benefits are expected to be realised.

The carrying amount of expenditure on intangibles is reviewed at the end of each financial year and where the balance exceeds the value of the expected future benefits, the difference is charged to the statement of financial performance.

i) Bad and doubtful debts

All known bad debts are written off. A provision for doubtful debts relates to specific debts, the collectability of which are considered doubtful as at year end.

j) Inventory

Stocks of coaching manuals, law books, and other items which are held for resale are recognised as inventory. Inventory is carried at the lower of cost and net realisable value. Inventory also comprises stocks of consumables including uniforms, footwear, player sustenance and other rugby equipment which are used by the Company in the ordinary conduct of its business. These items are expensed when used. Cost is allocated on the first-in first-out principle.

k) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts denominated in foreign currency are brought to account as exchange gains and losses in the statement of financial performance in the financial year in which the exchange rates change.

l) Investments

Related entities

Investments are carried at the lower of cost and recoverable amount.

The Company beneficially owns all the issued capital of ARFU Welfare Fund Pty Ltd. The results and assets and liabilities of this entity are not material and accordingly consolidated financial statements have not been prepared. The ARFU Welfare Fund Pty Ltd acts as trustee for a discretionary trust, the ARFU Welfare Fund ("the Fund"). The trust deed of the Fund requires the Fund to be administered for the benefit of its beneficiaries and accordingly it is not a controlled entity of the Company.

Monies held in trust by the Company on behalf of the Fund at 31 December 2004 amounted to $693,858 (2003: $804,721) and has not been included in the Company's financial statements.

The Company owns 50% of the issued capital of Wallabies Promotion and Marketing Pty Ltd which is the trustee for a discretionary trust, Wallaby Promotions and Marketing Fund. This company and trust have been dormant since the last report and accordingly no results have been included in the financial report.

Associated company - note 24

The investment in an associated company, SANZAR Pty Ltd is carried in the Company's financial statements at the lower of cost and and recoverable amount. Disclosure of the equity accounted amount of the investment and other financial information have not been included in the financial report as the operating results and financial position of SANZAR Pty Ltd were not material as at and for the year ended 31 December 2004.

Joint venture - note 25

A joint venture is an entity which has a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control. The Company's interest in the expenses of an unincorporated joint venture, SANZAR, has been brought to account by including its proportionate share on a line by line basis in the financial report. The Company's share of assets and liabilities have not been included in the financial report as they were not material as at 31 December 2004.

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 1. Statement of significant accounting policies (continued)

m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

Trade accounts payable are normally settled within 30 days.

n) Employee entitlements

Wages, salaries, bonuses, annual leave and long service leave

Liabilities for employee benefits for wages, salaries, bonuses and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs.

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation plan

The Company contributes to accumulation style employee superannuation plans which are externally managed. Contributions are charged against income as they are made.

o) Derivatives

The Company is exposed to changes in interest rates and foreign exchange rates from its activities. The Company uses forward foreign exchange contracts to hedge foreign exchange risks. Derivative financial instruments are not held for speculative purposes.

Hedges

Transactions are designated as a hedge of anticipated purchase or sale of goods or services, purchases of qualifying assets, or an anticipated interest transaction, only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated. Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are valued using the foreign currency current at reporting date. Refer to Note 21.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the statement of financial performance for the year.

p) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

q) Rugby World Cup 2003

The Company hosted the Rugby World Cup 2003 ("RWC 2003") pursuant to a Host Union Agreement with Rugby World Cup Limited. The Company entered into various agreements with Australian State government departments, sporting venues and other service providers in staging the event.

Expenditure and revenue recorded in previous financial years on RWC 2003 was deferred and was recognised during 2003.

Note 2. Change in accounting policy

There are no changes in accounting policies impacting on the Company's annual financial report for the year ended 31 December 2004.

Note 3. Revenue from operating activities

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Broadcasting licence fees	29,671	27,194
Sponsorships	17,154	17,388
Net gate takings and match fees	12,938	11,354
Corporate hospitality	3,882	3,284
Government grants	574	561
Licensing revenue	1,583	2,639
Affiliation fees - member unions	21	21
Interest received - member unions	-	99
- other persons	2,695	3,569
RWC 2003	-	221,473
	68,518	**287,582**
Other revenue:		
Management fee - NSWRU	852	1,287
Management fee - NTRU	12	12
IRB grant	352	400
Coaching manuals and materials	84	186
Proceeds from sale of non-current assets	90	-
Sundry	23	9
Total other revenue	**1,413**	**1,894**
Total revenue from operating activities	**69,931**	**289,476**

Note 4. Surplus from ordinary activities

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Surplus from ordinary activities has been arrived at after charging/(crediting) the following items:		
Amortisation of:		
New South Wales Rugby Union Limited loan	13	13
Trademarks	176	134
	189	**147**
Depreciation of:		
Property under strata title	33	27
Plant and equipment	520	869
Plant and equipment under finance lease	233	227
	786	**1,123**
Total amortisation and depreciation	**975**	**1,270**
Plant and equipment written off	-	184
Borrowing costs		
Other parties		
- Other loans	-	44
- Hire purchase finance costs	-	6
- Finance lease interest charges	29	80
	29	**130**
Net bad and doubtful debts expense/(benefit) including movements in provision for doubtful debts	75	(14)
Net expense/(benefit) from movements in provision for employee entitlements	(323)	394
Operating lease rental expense		
Minimum lease payments	1,210	1,103
Net (gain)/loss on disposal of non-current assets	(54)	-

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 5. Auditors' remuneration

	31 December 2004 $	31 December 2003 (14 Months) $
Audit services		
Auditors of the Company - KPMG		
Audit of the financial report	43,795	37,655
Audit of RWC 2003	-	41,750
	43,795	**79,405**
Other services		
Auditors of the Company - KPMG		
Other assurance services	-	106,453
Advisory services	28,500	47,104
	28,500	**153,557**
	72,295	**232,962**

Note 6. Segment reporting

The Company is predominantly concerned with the promotion, progress and general control of the game of Rugby in Australia. Accordingly no segment disclosure has been prepared as the Directors consider the Company only operates in one segment.

Note 7. Income tax

The Company is exempt from income tax under the terms of Division 50 of the Income Tax Assessment Act 1997.

Note 8. Cash

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Cash at bank and on hand	1,862	422
Cash on deposit	33,441	81,792
	35,303	**82,214**

Note 9. Receivables

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Current		
Trade debtors	1,339	2,410
Member Union debtors	179	497
New South Wales Rugby Union loan*	13	13
New South Wales Rugby Union loan agreement - Aussie Stadium fitout **	58	48
Amount due from Rugby World Cup Limited	-	14,009
RWC 2003 other debtors	-	2,270
Other debtors	1,856	2,997
Provision for doubtful debts	(170)	(95)
	3,275	**22,149**
Non-current		
Loans to Member Unions:		
New South Wales Rugby Union*	32	45
New South Wales Rugby Union loan agreement - Aussie fitout **	169	231
ACT Rugby Union	27	27
Northern Territory Rugby Union	80	80
Tasmanian Rugby Union	17	16
South Australian Rugby Union	42	42
	367	**441**

* The Company is amortising this loan to NSWRU over a 20 year period in exchange for the use of certain facilities at Aussie Stadium and other venues where NSWRU conducts matches.

** The Company provided a loan of $350,000 at 9.03% p.a. to NSWRU, in order to pay for NSWRU's fitout of their Aussie Stadium offices. These funds were provided through a financing lease between the Company and Comlease Pty Ltd. The loan commenced on 19 July 2002 and is in place until June 2008. The loan is to be repaid through monthly instalments of $6,945 including interest.

Note 10. Inventory

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Inventory held for re-sale	68	43
Consumables	146	237
	214	**280**

Note 11. Other current assets

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Prepayments	**145**	**94**

Note 12. Property, plant and equipment

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Current		
Freehold property		
At cost	2,650	-
Accumulated depreciation	(113)	-
	2,537	-
Total Current	**2,537**	-
Non-current		
Freehold property		
At cost	-	2,650
Accumulated depreciation	-	(80)
	-	**2,570**
Plant and equipment		
At cost	4,002	3,926
Accumulated depreciation	(3,072)	(2,710)
	930	**1,216**
Plant and equipment under finance lease		
At capitalised cost	975	975
Accumulated depreciation	(488)	(255)
	487	**720**
Total non-current	**1,417**	**4,506**
Total property, plant and equipment net book value	**3,954**	**4,506**

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Property under strata title		
Carrying amount at beginning of period	2,570	2,597
Depreciation	(33)	(27)
Carrying amount at end of period	**2,537**	**2,570**
Plant and equipment		
Carrying amount at beginning of period	1,216	1,186
Additions	270	590
Transfer from hire purchase after payout	-	493
Written-off	-	(184)
Sold	(36)	-
Depreciation	(520)	(869)
Carrying amount at end of period	**930**	**1,216**
Plant and equipment under hire purchase		
Carrying amount at beginning of period	-	493
Disposals	-	-
Depreciation	-	-
Transfer to Plant and Equipment following payout	-	(493)
Carrying amount at end of period	-	-
Plant and equipment under finance lease		
Carrying amount at beginning of period	720	619
Additions	-	328
Disposals	-	-
Depreciation	(233)	(227)
Carrying amount at end of period	**487**	**720**

Valuation of property

An independent valuation of the Company's property was carried out on 27 October 2003 by M Nassif Certified Practicing Valuer AAPI Reg No. 3975 of Stanley Thompson Valuers Pty Limited. The valuation of $3,300,000 was on the basis of the market value of the commercial strata offices at Levels 7 and 8, 12-14 Mount Street, North Sydney. Mount Street property has been re-classified as current as it is now held for sale.

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 13. Intangibles		
Trademarks, at cost	529	404
Accumulated amortisation	(409)	(233)
	120	**171**
Note 14. Payables		
Trade creditors	368	1,526
Member Union creditors and accruals	28	348
Other creditors and accruals	8,098	6,335
Rugby World Cup Limited payables	-	52,514
RWC 2003 other creditors and accruals	-	9,347
	8,494	**70,070**
Note 15. Deferred Revenue		
Current	**597**	**308**
Non-current	**1,363**	**1,645**

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 16. Interest-bearing liabilities		
Current lease liability	**241**	**274**
Non-current lease liability	**258**	**447**
Financing arrangements		
The Company has access to the following lines of credit:		
Total facilities available:		
Financial Guarantee	20	20
Foreign currency dealing limit	430	430
Global payments facilities	600	600
ANZ online payments facility	1,500	1,500
Business credit card facility	60	-
Online payroll facility	100	-
Cheque encashment facility	20	-
	2,730	**2,550**
Facilities utilised at reporting date:		
Financial Guarantee	20	20
Foreign currency dealing limit	-	-
Global payments facility	-	-
ANZ online payments facility	-	-
Business credit card facility	-	-
Online payroll facility	-	-
Cheque encashment facility	-	-
	20	**20**

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 16. Interest-bearing liabilities (continued)		
Facilities not utilised at reporting date:		
Financial Guarantee	-	-
Foreign currency dealing limit	430	430
Global payments facility	600	600
ANZ online payments facility	1,500	1,500
Business credit card facility	60	-
Online payroll facility	100	-
Cheque encashment facility	20	-
	2,710	**2,530**

The Company cancelled the overdraft facility during 2003 however the bank holds a registered mortgage over the Company's strata title property and a registered equitable mortgage debenture over all the Company's assets.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 17. Provisions		
Employee benefits		
Current		
Annual Leave	909	1,249
Long-Service Leave	29	32
	938	**1,281**
Non-Current		
Long-Service Leave	210	190
	1,148	**1,471**

Note 18. Contributed equity

The Company is a company limited by guarantee and, in the event of the winding up of the Company, members may be required to contribute a maximum of $100 each.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 19. Reserves		
Asset revaluation reserve	1,199	1,199
Capital profits reserve	566	566
	1,765	**1,765**

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in prior periods. The full amount of $1,198,821 is not available for future asset write-downs as a result of using the deemed cost election for property under strata title when adopting revised Accounting Standard AASB 1041.

Capital profits

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the capital profits reserve.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Note 20. Retained surplus		
Retained surplus at beginning of period	33,875	896
Net (deficit)/surplus for the period	(4,363)	32,979
Retained surplus at the end of period	**29,512**	**33,875**

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 21. Additional financial instrument disclosure

a) Interest rate risk

The Company is exposed to interest rate risk on funds on deposit. Management does not consider it necessary to hedge this risk. The rates of interest that the Company is exposed to are detailed below.

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

		FIXED INTEREST MATURING IN:					
	Weighted average interest rate	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
2004							
Financial assets							
Cash	5.30%	1,862	33,441	-	-	-	35,303
Receivables	9.03%	-	58	169	3,415	3,642	
		1,862	**33,499**	**169**	**-**	**3,415**	**38,945**
Financial liabilities							
Payables		-	-	-	-	8,494	8,494
Lease liability	8.27%	-	241	258	-	499	
		-	**241**	**258**	**-**	**8,494**	**8,993**
2003							
Financial assets							
Cash	5.10%	422	81,792	-	-	-	82,214
Receivables	9.03%	-	48	231	22,311	22,590	
		422	**81,840**	**231**	**-**	**22,311**	**104,804**
Financial liabilities							
Payables		-	-	-	-	70,070	70,070
Lease liability	8.27%	-	274	447	-	721	
		-	**274**	**447**	**-**	**70,070**	**70,791**

Note 21. Additional financial instrument disclosure (continued)

b) Foreign exchange risk

The Company enters into forward foreign exchange contracts to hedge certain transactions denominated in foreign currencies (principally US dollars). The terms of these commitments is up to five years.

The Company's policy is to enter into forward foreign exchange contracts to hedge transactions in foreign currency within Board approved limits. The amount of transactions is forecast in light of current conditions in foreign markets and contracts with counterparties.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Company:

	2004	2003	2004	2003
	Weighted average rate		$'000	$'000
Sell US dollars				
Not later than one year	0.6144	0.6144	3,142	2,900
Later than one year but not later than five years	0.6144	0.6144	-	3,142
			3,142	**6,042**

As these contracts are hedging anticipated transactions, any unrealised gains or losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. At balance date, the gross unrealised gains on hedges of anticipated foreign currency transactions totalled $664,867 (2003: $1,103,019).

The hedging arrangement with Macquarie Bank Limited has a 'shout reset' option facility which enables the Company to adjust the rate lower if the spot rate reduces below the contract rate.

Where the underlying transaction has occurred, the effect of the hedge has been recognised in the financial report.

c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the Company which have been recognised, is the carrying amount, net of any provision for doubtful debts. Credit risk is minimised by dealing primarily with major corporate entities, Member Unions and other affiliates of the game of Rugby.

Unrecognised financial instruments

Forward foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which is a large financial institution, Macquarie Bank Limited.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Company pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Company.

The full amount of the exposure is disclosed at Note 21 b).

	31 December 2004		31 December 2003	
	Carrying amount	Net fair value	Carrying amount	Net fair value
	$'000	$'000	$'000	$'000
Net fair values				
The carrying amounts and net fair values of recognised financial assets and liabilities as at the reporting date are as follows:				
Financial assets				
Cash	35,303	35,303	82,214	82,214
Receivables	3,642	3,642	22,590	22,590
Financial liabilities				
Payables	8,494	8,494	70,070	70,070
Lease liability	499	499	721	721

Note 22. Commitments

(i) The News Corporation Limited

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has an agreement with The News Corporation Limited ("News Agreement") which commenced in 1995 and is in place until 2005.

Under this agreement, the Company has sold, among other things, its broadcasting rights for matches in the Tri Nation Series (two Tests against both New Zealand and South Africa per annum) and the provincial Rugby Super 12 Competition.

The News Agreement also commits the Company to host an in-bound tour against a recognised rugby playing nation.

In any domestic season, the Wallabies shall play at least three Tests in Australia (over and above the Tri Nations Series). A minimum of two of these Tests shall be against the national representative team of a recognised rugby playing nation.

(ii) SANZAR Joint Venture

The Company has given certain undertakings in respect to its participation in the SANZAR joint venture. These undertakings are consistent with its undertakings under the News Agreement.

(iii) Foreign Exchange Hedging Arrangements

The Company has negotiated its payment arrangements under the News Agreement whereby income flows relevant to the agreed share in place up to 1999 will be in Australian dollars. The balance arising from an increased share is denominated in United States Dollars and has been hedged with the use of forward exchange contracts in place with Macquarie Bank Limited.

These hedges have been established for the balance of the News Agreement exposed to the risk of fluctuations in foreign currency.

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 22. Commitments (continued)

(iv) Member Union Collective Bargaining Agreement and Memoranda of Understanding with Member Unions

A Collective Bargaining Agreement has been negotiated between the Company, New South Wales Rugby Union Ltd, Queensland Rugby Union Ltd, Australian Capital Territory Rugby Union Ltd and Rugby Union Players' Association Inc. Under this agreement the Company, along with the other rugby bodies is required to make minimum player payments. These total a minimum of $22,180,000 for 2005.

The Company is required to make grants to Member Unions under the Memorandum of Understanding. Under these memoranda, the Company is committed to pay a minimum amount of $19,212,206 for 2005.

(v) Wallaby 1st Membership

In October 1998, the Company launched the Wallaby First Membership Programme. The Membership, limited to 5,000, provides access to purchase a premium seat for all Wallaby Test Matches played in Sydney for the next thirty years, including fixtures at Telstra Stadium.

In conjunction with the above programme, the Company signed a hiring agreement with Stadium Australia Management Limited. Under this agreement the Company is committed to holding at least two Wallaby Test Matches at Telstra Stadium each year until the year ending 31 December 2005. The hiring fees are to be determined by reference to the number and type of tickets sold for each match.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
(vi) Operating Lease Commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Within one year	1,279	996
One year or later and no later than five years	244	849
	1,523	**1,845**

The Company leases property under non-cancellable operating leases expiring within four years. Leases generally provide the Company a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental based on movements in the Consumer Price Index.

The Company leases motor vehicles under operating leases expiring within two years. Lease payments are fixed for the term of the leases.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
(vii) Finance lease payment commitments		
Finance lease commitments are payable:		
Within one year	274	274
One year or later and no later than five years	281	555
	555	**829**
Less: Future finance lease charges	(56)	(108)
	499	**721**
Lease liabilities provided for in the financial statements:		
Current	241	274
Non-current	258	447
Total lease liability	**499**	**721**

The Company leases office fitout at the Aussie Stadium under finance leases expiring in six years. Lease payments are fixed for the entire period of the lease. The Company takes ownership of the fitout at the end of the lease.

The Company leases office fitout at 181 Miller Street North Sydney under finance leases expiring in four years. Lease payments are fixed for the entire period of the lease. The Company takes ownership of the fitout at the end of the lease.

(viii) General business

In the ordinary course of business the Company has entered into commitments and undertakings with Member Unions, sponsors and other parties to support the promotion, sponsorship, coaching and development of the game of rugby.

Note 23. Contingent liabilities

The Company is a defendant in a number of claims for personal injuries and other damages relating to the game of rugby. These claims are being defended and generally are subject to insurance coverage. At this time the Directors are unable to ascertain what the Company's liability, if any, may be.

Note 24. Investment in associated company

The Company owns a one third interest in an associated company, SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to act as the manager and agent of the joint venture outlined in Note 25. The financial position and results of SANZAR Pty Limited were not material as at and for the year ended 31 December 2004.

The Company has valued its interest in the associate at $nil (2003: $nil).

Note 25. Interest in joint venture

The Company has a one-third interest in an unincorporated joint venture, SANZAR, which was established to manage specific aspects of the News Corporation Limited agreement ("News Agreement") and promote international rugby tournaments.

The assets and liabilities of the joint venture were not material as at 31 December 2004 and the Company's interests were therefore not included in the Company's financial statements. All income flowing from the News Agreement and SANZAR was derived directly by the Company.

All of the obligations of the venturers arising from or attributable to the joint venture are several only and not joint and several.

Note 26. Notes to the statement of cash flows

(i) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Cash at bank and on hand	1,862	422
Cash on deposit	33,441	81,792
	35,303	**82,214**
(ii) Reconciliation of surplus from ordinary activities to net cash provided by operating activities.		
Net (deficit)/surplus for the period	(4,363)	32,979
Add/(less) items classified as investing/financing activities:		
Allocations to Member Unions	8,372	6,416
Interest received	(2,695)	(3,668)
Interest paid	29	130
(Gain)/loss on disposal of property, plant and equipment	(54)	-
Add/(less) non-cash items:		
Repayment of loan - News Corporation Ltd	-	(1,533)
Amortisation of trademarks & NSWRU loan	189	147
Depreciation	786	1,123
Amounts set aside to provisions	(248)	380
Net cash provided by operating activities before change in assets and liabilities	**2,016**	**35,974**

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Change in assets and liabilities during the financial period		
(Increase)/decrease in receivables	18,840	(17,864)
(Increase)/decrease in prepayments and deferred expenditure	(51)	14,018
(Increase)/decrease in inventory	66	204
Increase/(decrease) in payables	(61,651)	62,375
Increase/(decrease) in deferred revenue	7	(26,915)
Net cash provided by operating activities	**(40,773)**	**67,792**

Note 27. Employee entitlements

	31 December 2004	31 December 2003 (14 Months)
Number of employees		
Number of employees at year end	116	130

Superannuation

The Company contributes to externally managed superannuation plans. Benefits are based upon the accumulation of assets in these plans. The Company has a legally enforceable obligation to contribute at a flat rate set under the Commonwealth Superannuation Guarantee Charge. In the event of any of the plans' termination or voluntary or compulsory termination of employment of the member, sufficient assets are available to meet all benefits payable.

FINANCIAL ANALYSIS & REPORT

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 28. Directors' remuneration

Directors' income

The number of Directors of the Company whose income from the Company or any related party falls within the following bands:

	31 December 2004	31 December 2003 (14 Months)
$0 - $9,999	1	5
$10,000 - $19,999	1	1
$20,000 - $29,999	6	5
$40,000 - $49,000	1	1
$220,000 - $229,000	1	-
$310,000 - $319,000	1	-
$2,070,000 - $2,079,999*	-	1
Total income paid or payable, or otherwise made available to Directors of the Company from the Company or any related party in connection with the management of the affairs of the Company	$ 735,570	$ 2,258,087

* This amount includes annual salary package, (for 14 months, including grossed up fringe benefits and superannuation), of $657,147, payment from NSWRU of $40,000, bonus for 2002 year of $212,000, as determined in March 2003, bonus for 2003 year of $265,000 and RWC 2003 bonus of $900,000. The latter two amounts are in accordance with a Deed of Release dated 12 December 2003.

Note 29. Related parties

Directors

The names of each person holding the position of Director of the Company during the financial year were:

R A Tuckey, J A O'Neill (resigned 27 February 2004), D Crombie (resigned 30 April 2004), R Graham, D Kumar, D Bree, W Barrett, T Hall, J Collins, B Kehoe (appointed 30 April 2004) and G Flowers (appointed 16 June 2004).

Related Party Transactions

The Company conducts numerous transactions with Member Unions in the normal course of the national administration of the game of rugby. Details of loans which are interest bearing and allocations and other payments to Member Unions are disclosed in Notes 9 and 14 respectively. Amounts receivable and payable by Member Unions as at 31 December 2004 are included in trade debtors and trade creditors.

From time to time Directors of the Company, or their associates, may purchase goods or services from or through the Company. These purchases are generally on the same terms and conditions as those entered into by other employees or customers or are trivial or domestic in nature.

Note 30. Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to effect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 31. Significant Events

On 20 December 2004 SANZAR signed a new agreement with News Limited in regard to Broadcasting Rights. This agreement is a five year agreement for USD 323 Million. There are elements of the Broadcasting Rights which are yet to be sold. When these remaining elements are sold, the split of broadcasting revenue between NZRU, SARFU and ARU will be determined. This Agreement comes into force in January 2006.

On 24 December 2004 the ARU and RUPA entered into a new Collective Bargaining Agreement. This three year agreement commences January 2006.

Note 32. Rugby World Cup 2003

The Company signed a Host Union Agreement with Rugby World Cup Ltd to conduct the Rugby World Cup 2003.

The Agreement outlined those areas of revenue and expenditure that were applicable to the Tournament and these items of revenue and expenditure are included in the Tournament Statement.

The Company also received revenue and incurred expenditure outside that which was outlined in the Agreement and these items are shown under Other Revenue and Other Expenditure.

	31 December 2004 $'000	31 December 2003 (14 Months) $'000
Tournament Statement		
Tournament Revenue		
Income from Ticket Sales	-	199,608
Tournament Expenditure		
Travel Accommodation and Meals	-	21,729
Services	-	648
Venues and Training Grounds	-	29,301
Match Arbitration	-	422
Ticketing	-	1,259
Programmes	-	240
Ceremonies, Functions and Meetings	-	9,389
Media	-	5,053
Accreditation	-	357
Qualification Fee	-	10,000
Insurance	-	8,495
Technology Support	-	8,009
Promotions and Communications	-	14,293
Event Services	-	1,050
Logistical Support	-	3,130
Host Union Management Expenses	-	10,260
Total Tournament Expenditure	-	**123,635**
Tournament Surplus	-	**75,973**
Tournament Fee	-	31,480
Company Tournament Surplus	-	**44,493**
Other Revenue		
Government Grants	-	17,217
Other Host Union Revenue	-	4,648
Total Other Revenue	-	**21,865**
Other Expenditure		
Stadium Rental and Rights Fees	-	20,584
Ed Rugby Programme	-	1,293
Rugby True Colours Tour	-	1,743
Other Host Union Expenditure	-	3,063
Total Other Expenditure	-	**26,683**
Company Net Surplus	-	**39,675**
Representation in Statement of Financial Performance		
Revenue from ordinary activities	-	221,473
Operating expenditure	-	181,798
Company Net Surplus	-	**39,675**

The tournament result above, comprising tournament revenue less tournament expenses, has been prepared in accordance with the requirements of the Host Union Agreement for the Rugby World Cup 2003, dated 3 April 2003.

Note 33. Australian equivalents to International Financial Reporting Standards

For reporting years beginning on or after 1 January 2005, the Company must comply with the Australian equivalents to the International Financial Reporting Standards and their related pronouncements ("AIFRS") as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for the reporting year ended on 31 December 2004.

The Company will report for the first time in compliance with AIFRS when the results for the year ended 31 December 2005 are released. AIFRS require that entities complying with AIFRS for the first time also restate their comparative financial statements using all AIFRS with the exception of certain requirements of AASB132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement. This means that the Company's opening AIFRS balance sheet will be a restated comparative balance sheet dated 1 January 2004. Most adjustments required on transition to AIFRS will be made retrospectively against opening retained earnings on 1 January 2004 in accordance with AIFRS, however transitional adjustments relating to those standards above where comparatives are not required will only be made with effect from 1 January 2005 (ie the commencement of the 2005 financial year).

The differences between Australian GAAP and AIFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company is in the process of preparing its assessment of the impact of AIFRS and the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The Company will then generate the disclosures to comply with the requirements of AASB 1 ("First time adoption of Australian Equivalents to International Financial Reporting Standards" (AASB 1").

As the above procedures are not yet complete, the Company is unable to completely and accurately present the expected quantified financial impact from the adoption of AIFRS. There can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with AIFRS.

Potential Impact of conversion to AIFRS

The following areas have been identified as being potentially significant to the Company:

For profit/not for profit classification

The AIFRS include certain provisions and exemptions for not for profit entities. The Company is currently reviewing whether it satisfies the definition of not for profit for accounting purposes. The main differences afforded to not for profit entities that may be applicable to the Company relate to the treatment of certain inventories and grant income.

Impairment of assets

Assets must be recognised at the lower of carrying value and recoverable amount. The difference is referred to as an impairment. Impairments of assets will be determined by comparing the carrying value of the Consolidated entity of assets identified as relating to each respective cash generating unit ("CGU") to the recoverable amount of the CGU. Recoverable amount will be assessed using fair value or value in use (based on a discounted cash flow basis).

Notes to the financial statements for the year ended 31 December 2004 (continued)

Note 33. Australian equivalents to International Financial Reporting Standards (continued)

There is a risk of potential impairment of assets at transition due to the effect of discounting in assessing recoverable amounts for the first time and the risk of future earnings volatility from future impairments.

Valuation of property, plant and equipment

AIFRS provides an option to value property, plant and equipment at cost or fair value. It is the current intention of the Company to value property, plant and equipment on the cost basis, adjusted for any accumulated impairment balances. At transition, an election is available under the AIFRS transition rules to use cost, fair value or deemed cost as the opening carrying value. It is the current intention to use either cost or deemed cost for most assets.

AIFRS also requires capitalisation of provisions for dismantling costs associated with leasehold improvements. The impact of this is still being assessed.

Non current assets held for sale

Under AIFRS, Non current assets held for sale are valued at the lower of cost or fair value less selling costs. Depreciation ceases at the point in time the asset satisfies the definition of a held for sale asset. Under Australian GAAP, such assets continue to be depreciated.

Derivative Instruments

All derivative contracts, whether used as hedging instruments or otherwise will be carried at fair value in the statement of financial position. This will apply to the various foreign exchange rate derivatives used by the Company to hedge its exposures.

Hedge accounting can only be considered where strict documentation and "effectiveness testing" are satisfied. Ineffectiveness outside prescribed ranges prevents the use of hedge accounting and can result in significant volatility in the statements of financial performance from changes in the fair value of the derivative instruments.

This will result in new "derivative" assets and liabilities being recognised at market value on the balance sheet at transition and in the future. Depending on the nature of the hedge these may be recognised against a hedge reserve in equity or in the statement of financial performance. The requirement to measure all derivatives at fair value will result in increased volatility in future earnings and net asset balances.

DIRECTORS' DECLARATION

In the opinion of the Directors of Australian Rugby Union Limited:

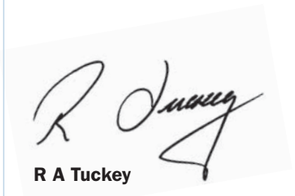
a) The financial statements and notes, set out on pages 84 to 100 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; 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.

By order of the Board



R A Tuckey

Director

G Flowers

Director

Sydney
6 April 2005

INDEPENDENT AUDIT REPORT TO MEMBERS OF AUSTRALIAN RUGBY UNION LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Australian Rugby Union Limited (the "Company"), for the year ended 31 December 2004.

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.

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 financial position, and of its performance as represented by the results of its operations and cash flows.

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.

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.

Independence

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

Audit opinion

In our opinion, the financial report of Australian Rugby Union Limited is in accordance with:

a) the Corporations Act 2001, including:

i. giving a true and fair view of the Company's financial position as at 31 December 2004 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

Mark Epper

Partner

Sydney
6 April 2005