FINANCIAL REPORT

For the year ended 31 December 2006

australian RUGBY

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DIRECTORS' REPORT

For the year ended 31 December 2006

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 2006 and the Auditor's report thereon.

In order to comply with the provisions of the Corporations Act 2001 the Directors report is as follows:

1. DIRECTORS

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

Ron Graham
Chairman
Non-Executive Director
Ron has been a Director since February 2000 and was appointed Chairman in December 2005. He is also Chairman of the Human Resource Committee and the Board Nomination Committee. Ron is a former Chairman and President of New South Wales Rugby Union and a Wallaby, having played 18 test during the 1970s. He is Managing Partner of an international executive search firm.

Michael (Mike) Brown
B.E (Hons) BSc MIEAust CPEng
Non-Executive Director
Mike joined the Board in April 2005 and is a Member of the Governance and Policy Committee, the Board Nominations Committee and the Board Audit Committee. He is a Civil Engineer with 32 years experience in the Building and Construction Industry. Mike is Chairman of the Rugby Youth Foundation and a former Director of New South Wales Rugby Union.

Robert (Bob) Dalziel
Non-Executive Director
Bob joined the Board in June 2006. He has a marketing background, as well as significant retail, logistics and merchandising experience. He has held Managing Director positions within the Coles Myer Limited group. Bob's most recent executive position was as Chief Executive Officer of Mayne Nickless Limited. Bob is Patron of the Victorian Schools Rugby Union and a Member of the Australian Schoolboys Rugby Foundation. Bob is Chairman of Loscam Limited, Pacific Apparel Solutions, Harris Scarfe Limited and is a Director of Angus & Coote Holdings Limited.

Gary Flowers
B.Comm, LLB, FAICD (Order of Merit)
Chief Executive Officer
Gary was appointed Managing Director and CEO in June 2004 and is a Member of the Board Nominations Committee. He is also one of the Australian Rugby Union's Councillors on the International Rugby Board Council and CEO of the SANZAR UJV. Prior to joining the Australian Rugby Union, Gary was Managing Partner of one of Australia's leading national law firms, Sparke Helmore.

Travis Hall
Non-Executive Director
Travis has been a Director since December 2003. He is appointed by the Rugby Union Players Association and is a Member of Audit and Compliance Committee. Travis is Chairman of the "John Eales Medal" Committee and was a member of the Brumbies and Waratahs squads from 1998 to 2003.

Terence (Terry) Jackman
Non-Executive Director
Terry joined the Board in April 2006 and is a Member of the Board Audit Committee. He is currently Chairman of the Sunland Group and Director of Prime Television. He is the proprietor of Pacific Cinemas, one of the largest privately owned cinema companies in the country. Terry was instrumental with the founding, 10 years ago, of the Gold Coast Breakers. This team has been influential in the growth of rugby on the Gold Coast.

Richard (Rick) Lee
BE(Chem.) MA(Oxon.)
Non-Executive Director

Rick joined the Board in June 2006 and is a Member of the Human Resource Committee. He is a Rhodes Scholar, started his career in marketing and finance and is an experienced investment banker and company director. He was CEO of Rothschild in Australia for nine years. He has significant international experience and has a keen interest in rugby. Rick is currently Chairman of Salmat Limited and Inteq Limited, Deputy Chairman of Ridley Corporation Limited and is a Director of CSR Limited and Cash Services Australia Pty Ltd.

Peter McGrath
LLB, FAPI MAICD
Non-Executive Director
Peter has been a Director since April 2005 and is Chairman of Governance and Policy Committee and a Member of the Human Resource Committee. He is a solicitor and the Managing Partner of Chamberlains Law Firm in Canberra and has been a Partner for 11 years. Peter is a Member of the Law Society of the ACT and Vice President of the ACT Division of the Australian Property Institute.

David Usasz
B.Com, FCA
Non-Executive Director
David has been a Director since April 2005 and is Chairman of Audit and Compliance Committee and a Member of the Board Nominations Committee. He was a Director of Queensland Rugby Union and he has been a Director of the Reds Rugby College since its inception in 1997. David has been a Partner of PricewaterhouseCoopers since 1987 and was National Director of Corporate Finance Australasia for six years.

DIRECTORS' REPORT

For the year ended 31 December 2006

1. DIRECTORS (CONTINUED)

Ben Kehoe

B.A. Grad. Dip Bus Admin FAICD

Non-Executive Director

Ben joined the Board in April 2004. He is a management consultant and a former Chairman and Director of Queensland Rugby Union from 1997 to 2005 and the current Chairman of Imaginot Pty Ltd. Ben resigned in April 2006.

Dilip Kumar

B.Bus. OPM (Harvard)

Non-Executive Director

Dilip joined the Board in July 2000 and was a Member of the Human Resource Committee. Dilip was Chairman of New South Wales Rugby Union from 2002-2005 and Chairman of the Australian Rugby Union from April 2005 to December 2005. He was also one of Australian Rugby Unions Councillors to the International Rugby Board in 2004 and 2005. Dilip resigned in March 2006.

Robin Thomson

Non-Executive Director

Robin joined the Board in April 2005 and was a Member of Governance and Policy Committee. He is a solicitor and past Chairman and Vice-President of the Queensland Rugby Union. Robin was a Director of the Reds Rugby College from its inception in 1997 until 2000. Robin resigned in April 2006.

2. COMPANY SECRETARY

Ashley Selwood

B.Bus, MBA, Grad. Dip. Corp. Gov., FCPA, ACIS

Ashley was appointed Company Secretary in May 1998 and has held the position since that time following a similar appointment at the Queensland Rugby Union. Ashley is a member of Chartered Secretaries Australia.

3. DIRECTORS' MEETING

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

DIRECTOR	BOARD MEETINGS		AUDIT AND COMPLIANCE COMMITTEE MEETINGS		HUMAN RESOURCE COMMITTEE MEETINGS		GOVERNANCE AND POLICY COMMITTEE MEETINGS		NOMINATION COMMITTEE MEETINGS	
	A	B	A	B	A	B	A	B	A	B
Mr R Graham	13	13	-	-	1	1	-	-	3	3
Mr M Brown	12	13	-	-	-	-	-	-	3	3
Mr R Dalziel	6	6	-	-	-	-	-	-	-	-
Mr G Flowers	13	13	-	-	-	-	-	-	3	3
Mr T Hall	13	13	1	1	-	-	-	-	-	-
Mr T Jackman	7	8	1	1	-	-	-	-	-	-
Mr R Lee	5	6	-	-	1	1	-	-	-	-
Mr P McGrath	13	13	1	1	1	1	-	-	-	-
Mr D Usasz	13	13	1	1	-	-	-	-	3	3
Mr B Kehoe	5	5	-	-	-	-	-	-	-	-
Mr D Kumar	-	4	-	-	-	-	-	-	-	-
Mr R Thomson	5	5	-	-	-	-	-	-	-	-

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

DIRECTORS' REPORT

For the year ended 31 December 2006

4. PRINCIPAL ACTIVITIES

The Company's principal activities in 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.

5. REVIEW OF OPERATIONS

The operating surplus for the financial year before allocations and other payments to Member Unions was $3,897,000 (2005: $5,761,000).

Allocations to Member Unions for coaching and development were $10,236,000 (2005:$9,031,000)

The net deficit for the financial year after allocations and other payments to Member Unions was $6,339,000 (2005: $3,270,000)

Detailed commentary on the Company's operations are included in the Chairman's Report, Managing Director's & CEO's Report, President's Report, Rugby Services Report and the Corporate Services Department's report included in the 2006 Annual Report.

6. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter discussed above, 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 affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

7. ENVIRONMENTAL REGULATIONS

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

8. DIRECTORS' BENEFITS

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

1) Note 27: Key management personnel disclosures

2) Note 28: Related parties

9. 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.

10. INDEMNIFICATION AND INSURANCE OF OFFICERS

In accordance with the Company's Constitution, the Company must indemnify both current and former Directors for all losses and liabilities incurred by the person as an officer of the Company incurred in defending proceedings whether civil or criminal, in which judgement is given in favour of the person or in which the person is 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 $48,000 in respect of 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.

11. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' report for financial year ended 31 December 2006.

12. 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 Graham
Director

G Flowers
Director

Dated at Sydney this 23rd day of March 2007.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

under Section 307C of the Corporations Act 2001

To: the Directors of Australian Rugby Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2006 there have been:

i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

Mark Epper
Partner

Sydney
23 March 2007

INCOME STATEMENT

For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
REVENUE			
Broadcasting licence fees		25,325	31,853
Sponsorships		23,488	18,976
Net gate takings and match fees		18,185	12,800
Corporate hospitality		5,044	4,138
Interest received		1,698	2,119
Licensing revenue		2,186	1,909
Government grants		343	293
Affiliation fees		21	21
Other income	2	2,850	1,121
Total Revenue		**79,140**	**73,230**
OPERATING EXPENDITURE			
Commercial operations		12,331	11,146
Finance and administration		8,584	9,134
Media and communications		1,169	1,048
Rugby operations and community rugby		5,520	4,960
High performance		15,828	14,678
Super 14 grants and player payments		28,474	24,141
Super 14 costs		3,346	2,328
Borrowing costs		14	34
Total Operating Expenditure		**75,266**	**67,469**
Share of profit of jointly controlled entity		23	-
PROFIT BEFORE TAX			
Income tax expense		-	-
Surplus for the period		**3,897**	**5,761**
Surplus attributable to members		3,897	5,761
Allocations to Member Unions	28	(10,236)	(9,031)
Net (deficit) for the year	**20**	**(6,339)**	**(3,270)**

The income statement is to be read in conjunction with the notes of the financial statements set out on pages 11 to 25.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
Change in Capital Profits Reserve		(155)	-
Change in fair value of cash flow hedge reserve		(50)	50
Net income recognised directly in equity	**19**	**(205)**	**50**
Deficit for the period		(6,339)	(3,270)
Total recognised income and expense for the period		**(6,544)**	**(3,220)**

There were no movements in equity arising from transactions with owners as owners.

The Statement of Recognised Income and Expense is to be read in conjunction with the notes to the financial statements set out on pages 11 to 25.

BALANCE SHEET

as at 31 December 2006

	Note	2006 $'000	2005 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	22,486	31,254
Trade and other receivables	8	7,998	2,864
Inventories	9	231	261
Assets classified as held for sale	6	-	2,505
Other assets	10	3,565	1,143
Total current assets		**34,280**	**38,027**
NON-CURRENT ASSETS			
Trade and other receivables	8	3,257	271
Property, plant and equipment	11	1,362	1,153
Intangible assets	12	151	127
Investment in Joint Venture	13	441	-
Total non-current assets		**5,211**	**1,551**
Total assets		**39,491**	**39,578**
CURRENT LIABILITIES			
Trade and other payables	14	9,915	8,148
Deferred revenue	15	2,375	658
Interest-bearing liabilities	16	63	153
Provisions	17	829	773
Total current liabilities		**13,182**	**9,732**
NON-CURRENT LIABILITIES			
Deferred revenue	15	3,122	-
Interest-bearing liabilities	16	43	106
Provisions	17	237	289
Total non-current liabilities		**3,402**	**395**
Total liabilities		**16,584**	**10,127**
Net assets		**22,907**	**29,451**
EQUITY			
Reserves	19	-	616
Retained surplus	20	22,907	28,835
Total equity		**22,907**	**29,451**

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 11 to 25.

STATEMENT OF CASHFLOWS

For the year ended 31 December 2006

	Note	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		68,901	65,107
Cash payments in the course of operations		(67,976)	(61,077)
Net cash provided by operating activities	**26(a)**	**925**	**4,030**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,698	2,119
Proceeds from sale of property, plant and equipment		4	2
Payments for property, plant and equipment		(830)	(801)
Payments for intangibles		(162)	(128)
Net cash provided by investing activities		**710**	**1,192**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(153)	(206)
Borrowing costs paid		(14)	(34)
Allocations to Member Unions		(10,236)	(9,031)
Net cash from financing activities		**(10,403)**	**(9,271)**
Net decrease in cash held		**(8,768)**	**(4,049)**
Cash at beginning of year		31,254	35,303
Cash at end of year	**26(b)**	**22,486**	**31,254**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 25.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Australian Rugby Union Limited (the 'Company') is a company domiciled in Australia. The financial report was authorised for issue by the directors on 23rd March 2007.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial report of the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) 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.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Company to all periods presented in the financial report.

(c) Associates and Joint Ventures

In the financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The company's share of the jointly controlled entity's net profit or loss is recognised in the income statement from the date joint control commenced until the date joint control ceases.

(d) Foreign currency

i Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(e) Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(f) Hedging

i Cash flow hedges

On entering into a hedging relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Hedging (continued)

i Cash flow hedges (continued)

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

ii Hedge of monetary assets and liabilities

Where a derivative instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

(g) Property, plant and equipment

i Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy l).

Certain items of property, plant and equipment that had been re-valued to fair value on or prior to 1 January 2004, the date of transition to Australian Accounting Standards - AIFRSs, are measured on the basis of deemed cost, being the re-valued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy l). The property held under finance leases and leased out under operating lease is classified as investment property and stated at fair value. Lease payments are accounted for as described in accounting policy (r). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

iii Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

iv Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 2–20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(h) Intangible assets

i Intangible assets include the cost of registering licensed trademarks. These are stated at cost less accumulated amortisation (see below). They are amortised on a straight line basis over three years, which approximately 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 income statement.

ii Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Trademarks 3 years

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy l).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Stocks of coaching manuals, law books and other items which are held for resale are recognised as inventory. 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.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cashflows.

(l) Impairment

The carrying amounts of the Company's assets, other than inventories (see accounting policy j) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy l(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

i Calculation of recoverable amount

The recoverable amount of the Company's held-to-maturity receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii Reversals of impairment

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Employee benefits

i Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

ii Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value (and the fair value of any related assets is deducted). The discount rate is the yield at the balance sheet date on Commonwealth Government bonds that have maturity dates approximating to the terms of the Company's obligations.

iii Wages, salaries, annual leave, sick leave and non-monetary benefits

The provisions for employee benefits to wages, salaries, annual leave and sick leave represent the amount that the Company has a present obligation to pay resulting from employees' services provided up to reporting date. The provisions have been 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, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 45-day terms.

(q) Revenue

i Goods sold and services rendered

Revenue is recognised in the income statement when the significant risks and rewards have been transferred to the buyer. The primary sources of the Company's revenue relate to broadcasting rights, sponsorship properties and match ticket sales. Broadcasting and sponsorship revenue is recognised in line with the terms specified in the relevant contracts. Revenue from ticket sales is recognised at the time the match is played. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

ii Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

(r) Expenses

i Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

ii Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy f).

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(s) Income tax

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

(t) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets is brought up-to-date in accordance with applicable accounting standards. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

(u) Goods and services tax

Revenue, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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 balance sheet.

Cash flows are included in the Statement of Cashflows 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000
NOTE 2. OTHER INCOME		
Foreign exchange gain	390	267
IRB Grants	1,335	352
Management Fee – NSWRU	65	386
Management Fee – NTRU	12	12
Management Fee – VRU	12	8
Sundry	1,036	96
	2,850	**1,121**
NOTE 3. OTHER EXPENSE		
Amortisation of:		
New South Wales Rugby Union Limited loan	-	12
Trademarks	138	121
	138	**133**
Depreciation of:		
Property under strata title	-	32
Plant and equipment	550	411
Plant and equipment under finance lease	-	652
	550	**1,095**
Total amortisation and depreciation	**688**	**1,228**
Borrowing costs		
- Finance lease interest charges	14	34
Net bad and doubtful debts expense/(benefit) including movements in provision for doubtful debts	(88)	(41)
Net expense/(benefit) from movements in provision for employee entitlements	5	(86)
Operating lease rental expense		
Minimum lease payments	1,235	1,355
Net loss/(gain) on disposal of non-current assets	66	(1)

	2006 $	2005 $
NOTE 4. AUDITORS' REMUNERATION		
Audit services		
Auditors of the Company – KPMG		
Audit of the financial report – current	68,000	50,000
Audit of the financial report – prior years (additional costs)	8,226	2,235
	76,226	**52,235**
Other services		
Auditors of the Company – KPMG		
Other assurance services	1,700	22,969
Advisory services	73,800	31,068
	75,500	**54,037**
	151,726	**106,272**

NOTE 5. INCOME TAX

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000

NOTE 6. ASSETS CLASSIFIED AS HELD FOR SALE

A building owned by the Company was presented as held for sale following the decision by management to sell the building during the 2004 year. The building was sold on the 11th December 2006 for $2,350,000.

Freehold property		
At cost	-	2,650
Accumulated depreciation	-	(145)
	-	**2,505**

Summary	
Purchase Price – 1994	1,744
Revaluation – 1997	2,000
Revaluation – 2000	2,650
Sale Price – 2006	2,350
Carrying Value at Sale	2,505
Loss on Sale	155

NOTE 7. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	5,322	624
Cash on deposit	17,164	30,630
Cash and cash equivalents in the Statement of Cashflows	**22,486**	**31,254**

NOTE 8. TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	1,033	1,509
Other receivables – member unions	178	288
New South Wales Rugby Union loan agreement Aussie Stadium fit-out*	63	63
Loan to SANZAR Europe	938	-
Loan to SANZAR JV	1,114	-
Loan to South Australian Rugby Union	26	-
Other receivables ****	4,686	1,133
Provision for doubtful debts	(41)	(129)
	7,998	**2,864**
Non-current		
Loans to Member Unions:		
New South Wales Rugby Union loan agreement – Aussie Stadium fit-out*	43	105
ACT Rugby Union	27	27
Northern Territory Rugby Union	80	80
Tasmanian Rugby Union	17	17
South Australian Rugby Union	42	42
Queensland Rugby Union**	100	-
Loan to SANZAR Europe ***	2,948	-
	3,257	**271**

** The Company provided a loan of $350,000 at 9.03% p.a. to NSWRU, in order to pay for NSWRU's fit-out 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 $6,313 including interest.*

*** The Company provided an interest free loan of $100,000 to QRU, to provide financial assistance to support the foundation of Rugby Gold Coast Limited. The loan commenced on 15th December 2006 and is repayable in full by September 2008. The loan is to be repaid through quarterly instalments of $25,000 in 2008.*

**** The Company provided an interest bearing loan of $4,800,000 to SANZAR Europe. The loan commenced on 1st March 2006 and is repayable in full by 31st December 2010.The loan and interest is to be repaid through annual repayments.*

***** The contract for the sale of Freehold property was exchanged in December 2006, however settlement was not due until January 2007, $2,350,000. Also included are funds receivable in relation to office relocation, $630,000, and a loan repayment due from SANZAR Europe S.a.r.l, $250,000.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000
NOTE 9. INVENTORIES		
Inventory held for re-sale, at cost	63	46
Consumables, at cost	168	215
	231	**261**
NOTE 10. OTHER CURRENT ASSETS		
Prepayments	3,565	1,093
Foreign exchange forward	-	50
	3,565	**1,143**

During the current period the Company purchased tickets, accommodation and travel in relation the Rugby World Cup 2007, $2,800,000. This expenditure will be recognised in 2007.

NOTE 11. PLANT AND EQUIPMENT		
Plant and equipment		
At cost	3,092	4,633
Accumulated depreciation	(1,730)	(3,480)
	1,362	**1,153**
Plant and equipment under finance lease		
At capitalised cost	-	1,145
Accumulated depreciation	-	(1,145)
	-	**-**
Total plant and equipment (net book value)	**1,362**	**1,153**

Reconciliations

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

Plant and equipment		
Carrying amount at beginning of period	1,153	930
Additions	830	636
Disposals	(71)	(2)
Depreciation	(550)	(411)
Carrying amount at end of period	**1,362**	**1,153**
Plant and equipment under finance lease		
Carrying amount at beginning of period	-	487
Additions	-	165
Depreciation	-	(652)
Carrying amount at end of period	**-**	**-**
NOTE 12. INTANGIBLES		
Trademarks, at cost	819	657
Accumulated amortisation	(668)	(530)
	151	**127**
NOTE 13. INTEREST IN JOINT VENTURE		
Shares in SANZAR Europe S.a.r.l.	418	-
Share of profit for the current period	23	-
	441	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000
NOTE 14. TRADE AND OTHER PAYABLES		
Trade creditors	2,350	63
Member Union creditors and accruals	56	-
Other creditors and accruals	7,509	8,085
	9,915	**8,148**
NOTE 15. DEFERRED REVENUE		
Current	2,375	658
Non-current	3,122	-
	5,497	**658**
NOTE 16. INTEREST-BEARING LIABILITIES		
Current liabilities		
Current lease liability	63	153
Non-current liabilities		
Non-current lease liabilities	43	106
Financing arrangements		
The Company has access to the following lines of credit:		
Total facilities available		
Financial guarantee	59	20
Foreign currency dealing limit	430	430
Global payments facilities	200	200
ANZ online payments facility	1,910	1,910
Business credit card facility	85	85
Online payroll facility	100	100
Cheque encashment facility	20	20
	2,804	**2,765**
Facilities utilised at reporting date		
Financial guarantee	59	20
Foreign currency dealing limit	-	-
Global payments facilities	-	-
ANZ online payments facility	-	-
Business credit card facility	-	-
Online payroll facility	-	-
Cheque encashment facility	-	-
	59	**20**
Facilities not utilised at reporting date		
Financial guarantee	-	-
Foreign currency dealing limit	430	430
Global payments facilities	200	200
ANZ online payments facility	1,910	1,910
Business credit card facility	85	85
Online payroll facility	100	100
Cheque encashment facility	20	20
	2,745	**2,745**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000
NOTE 17. PROVISIONS		
Current		
Annual leave	731	760
Long service leave	98	13
	829	**773**
Non-Current		
Long service leave	237	289
	1,066	**1,062**
Number of employees		
Number of employees at year end	**120**	**120**

Superannuation

The Company contributes to externally managed superannuation plans. Benefits are based upon the accumulation of assets in these plans. The value of contributions remitted during the period was $1,505,000 (2005 $1,101,000).

The Company has a legally enforceable obligation to contribute at a flat rate set under the Commonwealth Superannuation Guarantee Charge.

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.

NOTE 19. RESERVES

Capital profits reserve	-	566
Cashflow hedge reserve	-	50
	-	**616**

Nature and purpose of reserves

Capital profits

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

Cash flow Hedge Reserve

The cash flow hedge reserve represented the fair value of the forward foreign exchange contract the company used.

NOTE 20. RETAINED SURPLUS

Retained surplus at beginning of period	28,835	32,105
Re-classification of Capital Profits Reserve	566	-
Loss on Sale of Fixed Asset (previously revalued)	(155)	-
Net (deficit)/surplus for the period	(6,339)	(3,270)
Retained surplus at the end of the period	**22,907**	**28,835**

NOTE 21. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Foreign currency risk

The Company is exposed to foreign currency risk on revenue that is denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily USD and EUR.

At 31 December 2006 there are no foreign currency hedges in place. The Company hedged ninety five per cent of all trade receivables denominated in a foreign currency. The Company used forward exchange contracts to hedge its foreign currency risk. The forward exchange contract matured prior to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Company ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Company. Transactions involving derivative financial instruments are with counterparties with whom the Company has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Effective Interest Rates

			2006					
IN THOUSANDS OF AUD	NOTE	EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Cash and cash equivalents	7	5.95%	22,486	22,486	-	-	-	-
Trade and other receivables*	8	2.94%	3,886	469	469	938	2,010	-
Interest bearing liabilities	16	9.03%	106	32	31	43	-	-
			26,478	**22,987**	**500**	**981**	**2,010**	**-**

			2005					
IN THOUSANDS OF AUD	NOTE	EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
Cash and cash equivalents	7	5.33%	31,254	31,254	-	-	-	-
Trade and other receivables*	8	-	-	-	-	-	-	-
Interest bearing liabilities	16	7.96%	259	77	76	106	-	-
			31,513	**31,331**	**76**	**106**	**-**	**-**

Includes values related to SANZAR Europe only.

Forecasted transactions

The Company classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value. The fair value of forward exchange contracts at 1 January 2006 was adjusted against the opening balance of the hedging reserve at that date.

The net fair value of forward exchange contracts used as hedges of forecasted transactions at 31 December 2006 was $Nil (2005: $50,000), comprising assets of $Nil (2005: $50,000) and liabilities of $Nil (2005: $Nil) that were recognised in fair value derivatives. The Company does not have any forward exchange contracts hedging forecasted transactions.

Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on earnings.

NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

IN THOUSANDS OF AUD	NOTE	CARRYING AMOUNT 2006	FAIR VALUE 2006	CARRYING AMOUNT 2005	FAIR VALUE 2005
Assets classified as held for sale	6				
Cash and cash equivalents	7	22,486	22,486	31,254	31,254
Trade and other receivables	8	11,255	11,255	3,135	3,135
Inventories	9	231	231	261	261
Other assets	10	3,565	3,565	1,143	1,143
Property, plant and equipment	11	1,362	1,362	1,153	1,153
Intangible assets	12	151	151	127	127
Investment in Joint Venture	13	441	411	-	-
Trade and other payables	14	9,915	9,915	8,148	8,148
Deferred revenue	15	5,497	5,497	658	658
Interest bearing liabilities	16	106	106	259	259
Provisions	17	1,066	1,066	1,062	1,062

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For interest rate swaps broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

Interest bearing liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

NOTE 22. COMMITMENTS

(a) Broadcasting Agreements

The Company, together with New Zealand Rugby Union and South African Rugby Football Union has entered into agreements with a number of broadcasters around the world for the period 2006 to 2010 for all International and Provincial matches.

These broadcasting agreements commit 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.

(b) 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 in the broadcasting agreements.

(c) 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 and Southern New South Wales Rugby Union Ltd, West Australian Rugby Union 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 $25,750,000 for 2007 (2006 – $25,000,000).

The Company is required to make grants to Member Unions under the Memoranda of Understanding. Under these memoranda, the Company is committed to pay a minimum amount of $26,653,000 for 2007 (2006 – $26,653,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 22. COMMITMENTS (CONTINUED)

(d) Stadium Australia Hiring Agreement

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 each year at Telstra Stadium until the year ending 31 December 2011. The hiring fees are to be determined by reference to the number and type of tickets sold for each match.

(e) Operating lease commitments

	2006 $'000	2005 $'000
Less than one year	1,238	281
Between one and five years	5,226	36
More than five years	8,177	-
	14,641	**317**

The Company leases property under non-cancellable operating leases. The leases will expire within 11 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 three years. Lease payments are fixed for the term of the leases.

(f) Finance lease payment commitments

Finance lease commitments are payable as follows:

	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
	2006	2006	2006	2005	2005	2005
	$'000	$'000	$'000	$'000	$'000	$'000
Less than one year	69	(6)	63	167	(14)	153
Between one and five years	44	(1)	43	114	(8)	106
More than five years	-	-	-	-	-	-

The Company leases office fit-out at the Aussie Stadium under finance lease expiring in 2008. Lease payments are fixed for the entire period of the lease. The Company takes ownership of the fit-out at the end of the lease.

NOTE 23. CONTINGENT LIABILITIES

The Company is 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 JOINTLY CONTROLLED ENTITY

The Company owns a one-third interest in SANZAR Pty Limited (ACN 069 272 304). The primary purpose of SANZAR Pty Limited is to act as agent for the SANZAR unincorporated joint venture.

The assets and liabilities of the entity were not material as at 31 December 2006 and the Company's interests were therefore not included in the Company's financial statements.

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

The entity did not trade during the financial year.

NOTE 25. INTEREST IN JOINT VENTURES

i SANZAR UJV

The Company has a one-third interest in an unincorporated joint venture, SANZAR, which currently manages the Super 14 and Tri Nations rugby competitions in the Southern Hemisphere as well as the associated broadcasting agreements.

The assets and liabilities of the joint venture were not material as at 31 December 2006 and the Company's interests were therefore not included in the Company's financial statements. All income flowing from the broadcasting agreements 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 25. INTEREST IN JOINT VENTURES (CONTINUED)

ii SANZAR Europe S.a.r.l.

During the year the Company acquired a one-third investment in SANZAR Europe. This investee was established in conjunction with New Zealand Rugby Union and South African Rugby Union, to develop a European operation to facilitate sales in the European broadcasting market. Based on an evaluation of the risks and rewards of the investee it is not consolidated by the Company. The Company and other investors all provided an equal portion of the loan to the investee for start up purposes.

The Company's share of profit in its equity accounted investee for the year was $23,000 (2005: $nil).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Company:

	2006 $'000	2005 $'000
Current Assets	1,966	-
Non Current Assets	12,942	-
Total Assets	**14,908**	**-**
Current Liabilities	13,549	-
Non Current Liabilities	-	-
Total Liabilities	**13,549**	**-**
Revenues	3,516	-
Expenses	(3,409)	-
Profit/(loss)	**107**	**-**
Share of Investee profit before income tax	36	-
Share of income tax expenses	(13)	-
Share of Investee net profit	23	-
Share of Investee net profit accounted for using the equity method	**23**	**-**

	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION / RESIDENCE	REPORTING DATE	31 DECEMBER OWNERSHIP	
				2006	2005
SANZAR Europe S.a.r.l.	Sale of broadcasting rights to European Markets	Luxembourg	31 December	33%	-

NOTE 26. NOTES TO THE STATEMENT OF CASHFLOWS

(a) Reconciliation of surplus to net cash provided by operating activities

	2006 $'000	2005 $'000
Net (deficit) / surplus for the period	**(6,339)**	**(3,212)**
Add/(less) items classified as investing/financing activities:		
Allocations to Member Unions	10,236	9,031
Interest received	(1,698)	(2,119)
Interest paid	14	34
(Gain)/Loss on disposal of property, plant and equipment	66	(1)
Add/(less) non-cash items:		
Amortisation of Trademarks & NSWRU loan	138	133
Depreciation	550	1095
Amount set aside to provisions	(83)	(131)
Movement in fair value forward contract	(50)	50
Before change in assets and liabilities	**2,834**	**4,880**
Change in assets and liabilities during the financial period		
(Increase)/decrease in receivables	(6,123)	507
(Increase) in prepayments and deferred expenditure	(2,422)	(998)
(Increase)/decrease in inventory	30	(47)
Increase/(decrease) in payables and provisions	1,767	(346)
Increase/(decrease) in deferred revenue	4,839	34
Net cash provided by operating activities	**925**	**4,030**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

	2006 $'000	2005 $'000

NOTE 26. NOTES TO THE STATEMENT OF CASHFLOWS (CONTINUED)

(b) Reconciliation of Cash

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

Cash at bank and on hand	5,322	624
Cash on deposit	17,164	30,630
	22,486	**31,254**

	2006 $	2005 $

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors Income

Income paid or payable to Directors of the Company from the Company in connection with the management of the affairs of the Company:

Mr R Graham	44,000	22,000
Mr M Brown	22,000	15,000
Mr R Dalziel	13,000	-
Mr G Flowers	667,000	653,000
Mr T Hall	22,000	22,000
Mr T Jackman	14,000	-
Mr R Lee	14,000	-
Mr P McGrath	22,000	15,000
Mr D Usasz	22,000	15,000
Mr B Kehoe	7,000	22,000
Mr D Kumar	-	35,000
Mr R Thomson	7,000	15,000
Mr W Barrett	-	7,000
Mr D Bree	-	7,000
Mr J Collins	2,000	7,000
Mr R Tuckey	-	15,000
	856,000	**850,000**

There were no other transactions with key management personnel, or their related parties other than those set out in Note 28 relating to the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

NOTE 28. RELATED PARTIES

Directors

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

R Graham, M Brown, R Dalziel (appointed June 2006), G Flowers, T Hall, T Jackman (appointed April 2006), R Lee (appointed June 2006), P McGrath, D Usasz, B Kehoe (resigned April 2006), D Kumar (resigned March 2006) and R Thomson (resigned April 2006).

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 Note 8. Amounts receivable and payable by Member Unions as at 31 December 2006 are included in trade debtors and trade creditors.

Allocations to Member Unions ($10,236,000) includes funding as specified in the Memorandum of Understanding ($7,254,000) and the balance of financial support granted under the strategic initiatives created from the funds generated by the Rugby World Cup 2003, commonly referred to as 'the RWC2003 legacy programs', ($2,982,000).

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.

The terms and conditions of transactions with Directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non Director related entities on an arm's length basis.

NOTE 29. PRIOR PERIOD ADJUSTMENTS

During the 2006 financial year it was clarified that the Company does not have an ongoing obligation associated with the sale of Wallaby 1st Memberships. Previously the Company had deferred the revenue over the life of the membership and brought to account a portion of the revenue over each remainisng year of the membership. Subsequently, it has been considered appropriate that the sales have been recognised immediately to revenue. Accordingly, sales previously deferred have been adjusted through retained surpluses.

The correction impacts the accounts as follows:

	ORIGINAL 2005 $'000	ADJUSTMENT $'000	RESTATED 2005 $'000
Extract from the Income Statement			
Net gate takings and match revenue	12,858	(58)	12,800
Total revenue	73,288	(58)	73,230
Surplus for the period	5,819	(58)	5,761
Surplus attributable to members	5,819	(58)	5,761
Net Profit	**(3,212)**	**(58)**	**(3,270)**
Extract from the Statement of Recognised Income and Expenses			
Deficit for the period	**(3,212)**	**(58)**	**(3,270)**
Extract from the Balance Sheet			
Deferred Revenue (current)	716	(58)	658
Deferred Revenue (non-current)	1,278	(1,278)	-
Opening retained surplus	30,711	1,394	32,105
Current year net profit	(3,212)	(58)	(3,270)
Closing retained surplus	**27,499**	**1,336**	**28,835**

DIRECTORS' DECLARATION

For the year ended 31 December 2006

1 In the opinion of the Directors of Australian Rugby Union Limited ('the Company'):

(a) the financial statements and notes, set out on pages 7 to 25, are in accordance with the Corporations Act 2001, including:

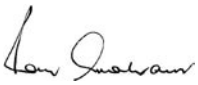
(i) giving a true and fair view of the financial position of the Company as at 31 December 2006 and of its performance, as represented by the results of their operations and its cash flows, for the financial year ended on that date; and

(ii) complying with Australian 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.

Dated at Sydney this 23rd day of March 2007.

Signed in accordance with a resolution of the Directors:



R Graham
Director

G Flowers
Director

INDEPENDENT AUDIT REPORT

Independent audit report to the members of Australian Rugby Union Limited

SCOPE

The financial report and directors' responsibility

The financial report comprises the income statement, statement of recognised income and expense, balance sheet, statement of cashflows, accompanying notes to the financial statements notes 1 to 29, and the directors' declaration, set out on pages 7 to 26 for Australian Rugby Union Limited (the 'Company') for the financial year ended 31 December 2006.

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, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, of its performance as represented by the results of its operations and cashflows.

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.

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 2006 and of its performance for the financial year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

KPMG

Mark Epper
Partner
Sydney 23 March 2007

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