MANAGING DIRECTOR & CEO'S REPORT

The year 2006 has been one of exciting change with scores of highlights. However, there is little doubt that the cornerstone for 2006 was laid with introduction of the Australian Rugby Championship (ARC).

There is no question that rugby has enjoyed great success over the last 10 years; two World Cup victories, Super 12 finals on numerous occasions, a great hosting opportunity for the World Cup in 2003 and many more. However we were still confronting some trends that warranted attention and importantly, innovative solutions. We forensically questioned our player development strategies and it was clear that the role of strong competition could not be underestimated. It is not a simple stroke of good luck that New Zealand rugby is in the strong state they are in today; it is largely because of the depth of their competition.

Key members of the Australian Rugby family came together and collectively became a part of rugby history with the creation of this new competition – an eight team professional competition involving teams from Western Australia, Victoria, the Australian Capital Territory, New South Wales and Queensland. I want to commend all those who took part and who put their own interests to one side for the benefit of rugby and the benefit of our young talent. I believe we can all look forward with greater optimism and I look forward to the launch of the ARC in 2007.

At the close of 2006 we look with eager anticipation to the 2007 Rugby World Cup. The Wallaby team preparation is well underway. The Qantas Wallabies welcomed a new coach in John Connolly. John has brought with him a new approach, new coaching philosophies and a new coaching team.

And here at ARU headquarters there is a growing groundswell of activity with one goal in mind – winning the World Cup. We will be working to build profile for the Wallabies, rugby and Australia. We will be developing strategies to ensure our large expatriate community and Australian tourists enjoy great rugby and as well and have a great experience that will be talked about long after it's over. Equally important, we will be working with our broadcasters to ensure our loyal fans here at home, particularly our young fans, do not miss out on the spectacle.

There is no question the success of the Rugby World Cup 2003 saw an increase in participation in our sport. Rugby is now played by 193,000 people across the country with participation growing by 9.5% in the past year and 28% since 2003.

The game's expansion into Western Australia through entry into the Super 14 competition of the Western Force has seen crowds average 28,500 and membership reaching a fantastic 20,000 in their first year. RWC 2007 presents a great opportunity to encourage even more young people to get involved.

In modern day professional sport, sponsorship is critical to success. The ARU continues to maintain and grow a very impressive sponsorship portfolio and are the envy of many other sporting codes. I wish to acknowledge our many sponsors; Qantas, the naming rights sponsor of our National team, Bundaberg Rum and Canterbury International. We value our partnerships with the corporate sector and look forward to another year working to our mutual benefit.

Gary Flowers, Managing Director & CEO

2006 has also seen a renewed focus on communication and I have been particularly encouraged by the open dialogue with which the ARU and Member Unions have engaged. Sharing in our successes as well as our failures is vital if we are to continue to learn and improve our delivery of rugby across the country.

To this end we can boast the game is now being played by more people in more places around the country. Adelaide will host the iRB Sevens World Series tournament next April, attracting international talent. That event will see elite level rugby now being played in every major capital city in the country.

2006 saw international success for some of our representative teams. Our Under 19s won the World Championship, defeating New Zealand 17-13 in a thrilling final in Dubai. Our Under 21s reached the semi-finals of their world championship, eventually beaten by tournament hosts France. Our women's national team, the Wallaroos traveled to Canada to play their World Cup, finishing the tournament seventh.

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Closer to home, the ARU moved its headquarters in the second half of 2006 to Christie Street, St Leonards. Among the tangible benefits of the move was the fact almost all of the staff could be housed on one floor rather than on three, an arrangement which previously hampered communications in our old home. It has also allowed us to install a library holding hundreds of books chronicling the history of our great game as well as a remarkable collection of rugby memorabilia which tell a colorful story of 100 years of rugby in Australia. Our new home also features a modern media suite to handle media conferences and important events.

The Board and Management continue to work towards achieving the objectives and goals of the Strategic Plan. Highlights of the 2006 Scorecard included increased growth in grassroots rugby, the achievement of an optimal competitions structure and continued strong financial management.

The 2006 Scorecard also showed areas for improvement, including our need to build better Rugby data, achieve higher broadcast targets and ensure consistent on-field success for the Wallabies.

In 2007, we will continue our ongoing work and cooperation with the Member Unions to achieve an even better performance for Australian rugby.

Our financial position continues to be a strong one.

The ARU's surplus of $463,000 was down on last year's result, but above our budget estimate.

Revenue also outstripped last year's result and the fact it has come in at $79,140,000 dollars in 2006 shows that rugby in Australia remains in a very healthy position.

After expenditure, distribution of the Legacy funding from our staging of the 2003 Rugby World Cup, junior development programs and further support to the Member Unions clubs, the ARU was still able to report a surplus of $463,000.

This displays responsible financial management by the ARU and sets a solid platform into the future.

I would like to acknowledge the ARU Board and in particular, Chairman Ron Graham. The Board has led the way in strengthening the governance structure that frames the ARU and constantly strived for greater transparency. The Board's leadership and support has allowed the ARU team to work only with the best interests of Australian rugby in mind. I want to thank the management and staff for their efforts through the year they are constantly prepared to extend themselves because of their belief in the game.

Finally, I want to acknowledge the rugby family whose passion drives us every day.

Thank you for your support and together we can look forward to 2007 with great enthusiasm.

RUGBY STRATEGY – A VISION FOR RUGBY BY 2010

KEY GOALS AND THEIR RELATIVE PRIORITIES

Representative Teams	40%	Sustainable success of Australian Rugby's National and Provincial teams
		Wallabies accepted as our national team
Growth & Development	35%	Continual, substantial, sustainable growth of Rugby
		Maintain the values, culture and ethos of Rugby
Leadership & Governance	12.6%	Maintain significant international influence
		Integration and improved governance of Australian Rugby
		Provide leadership and direction for the stakeholders of Australian Rugby
Finance & Revenue	12.5%	Maximise revenues through innovative use of our commercial products
		Manage for a financially secure future
		Complete the delivery of the RWC funding legacy programs and initiatives

These weightings provide a means to prioritise resources towards achievement of the goals, as well as a quantitative basis for measuring performance against identified key performance indicators.

2006 SCORECARD

Highlights	Areas for improvement:
Achieved an optimal competition structure with the introduction of the Australian Rugby Championship and Australia A in the IRB Pacific Nations Cup.	Consistent on-field success for the Wallabies
Growth of 9.5% in grass-roots participation	Build better rugby data
Achieved revenue and sponsorship targets	Achieve better rugby broadcast targets
Overall 2006 score = 67.5 / 100	

ORGANISATION STRUCTURE

KEY STAKEHOLDER GROUPS

Professional Rugby	Individuals who consider or aim to consider Rugby as their principal professional career
Commercial Partners	Companies, organisations or governments with a commercial investment in Rugby
Community Rugby	Individuals or entities who have an active, non-professional involvement in Rugby
Fans	Individuals with an interest in the game
Internal Stakeholders	Individuals, organisations, entities and governments that are involved in the administration of Rugby

The benefits Australian Rugby seeks to deliver each stakeholder are:

Key Stakeholder Groups					
GROUPED GOALS	**Representative Teams**	**Finance & Revenue**	**Growth & Development**		**Leadership & Governance**
STAKEHOLDERS	**Professional Rugby**	**Commercial Partners**	**Fans**	**Community Rugby**	**Internal Stakeholders (“enablers”)**
BENEFITS TO THOSE STAKEHOLDERS	Leading edge, elite training, pathways, accreditation, coaching and playing infrastructure	Return, both financial and otherwise, on their investment in Rugby	Access to entertaining, world class, international Rugby which reflects the Game’s values	Safe, accessible, affordable, quality competitions, pathways and programmes	Unity of purpose, strong leadership, sound governance
	Goals				
	2007 KPIs				2007 Scorecard
	2010 KPIs				2010 Scorecard