

Converting opportunities

State of the Unions:
Deloitte sports review

August 2018

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Glossary

| | |
|-------------|---|
| \$000 | Thousands (New Zealand Dollars) |
| \$m | Million |
| D&A | Depreciation and amortisation |
| FY | Financial year |
| NZR | New Zealand Rugby Union Inc. (trading as New Zealand Rugby) |
| Super Rugby | Investec Super Rugby |

Introduction

Rugby is a community game and, at its heart, everything rugby unions and clubs do relate to people. The importance of meaningful interactions with the community is vital to the viability of the nation's favourite game.

A financial review of the country's leading rugby unions reveals that a continual improvement of financial results has put the unions in position to increase their investment back into the grassroots of the game.



Executive summary

Welcome to the 7th edition of the Deloitte Sports Review, a review of the 14 semi-professional and amateur rugby unions competing in New Zealand's premier provincial rugby competition: the Mitre 10 Cup.

Deloitte's review of the annual accounts of the 14 Mitre 10 Cup unions finds that the unions' administrators have built on the foundation, set in FY16, to improve the financial health of the game in New Zealand. The 2017 season result is a stand-out performance with a record setting collective surplus.

A key driver of the result in FY17 was the positive effect that the British & Irish Lions tour had on New Zealand Rugby (NZR). The tour sparked a significant increase in commercial revenue and match day takings. This has allowed NZR to filter a similar volume of funds, as in FY16, to the Mitre 10 Cup and Heartland unions in order to continue to improve the game at the community level. The test match fees received by the Auckland Rugby Union for hosting two of the All Black tests against the Lions at Eden Park bolstered the collective surplus for the Mitre 10 Cup unions to surpass the surplus set in FY16.

Looking forward to FY18, the unions need to be even more vigilant with their spending, as no new major sources of revenue are expected during the period. Revenue levels are expected to remain relatively constant in FY18 compared to FY17 with the only exception being Auckland whose revenue is expected to return to a level similar to FY16.

Union administrators face a choice: curtail expenditure to further build their financial position or use their already favourable position to invest in the grassroots and further engage with their communities.

Financial highlights

The financial performance and position of each union in the Mitre 10 Cup has been consolidated and the highlights are outlined below. The final section of this publication contains summaries of the consolidated financial performance and financial position results for the last five years, as well as individual union accounts for the last two years.

Due to new reporting standards issued for not-for-profit entities, the majority of the unions changed the way they present their annual reports in FY16. In some cases, the unions have made further adjustments to the way they present their annual reports in FY17 to further align themselves with the reporting standards. This re-presentation of accounts has resulted in the re-categorisation of our analysis from previous reviews.

A key driver of the result in FY17 was the positive effect that the British & Irish Lions tour had on New Zealand Rugby (NZR). The tour sparked a significant increase in commercial revenue and match day takings.

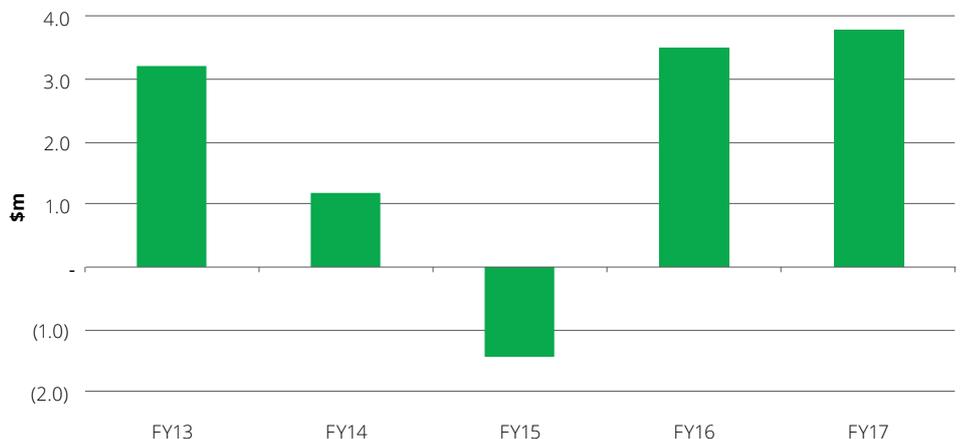


Accumulated funds for the combined unions in FY17 totalled \$38.4m. This is up from \$34.6m in FY16 and is the highest level of accumulated funds held by the unions since FY06.

Financial performance

- For FY17 the unions posted a record combined surplus of \$3.8m. This exceeds the previous high of \$3.5m, achieved in FY16.
- Unlike FY16, where every team achieved a surplus, in FY17 only 11 of the 14 Mitre 10 Cup unions achieved surpluses.
- Total revenue for FY17 for the combined unions was \$79.2m, a 2.8% increase, up from \$77.0m in FY16.
- As part of our analysis we group revenue into three classifications; match related income, grants and sponsorship & other revenue. Grants & sponsorship was the largest revenue earner for FY17 accounting for 68.6% of total revenue, other revenue brought in 20.4% of the revenue and match related income provided the remaining 10.9%.
- Consistent with FY16, match related income in FY17 had the largest percentage growth of revenue with a \$1.4m or 19.0% year-on-year increase. Auckland Rugby Union notably had a \$1.7m increase in match related income principally from the extra revenue received from the two British and Irish Lions tests.
- Other revenue led the way with the largest growth in terms of dollars, increasing \$1.8m (12.8% year-on-year) to \$16.2m in FY17.
- For FY17, only half of the Mitre 10 unions achieved year-on-year increases in their total revenues, compared to all unions in FY16.
- In FY17, the group of Mitre 10 Cup unions that are based in the same city as Super Rugby franchises accounted for more than half of the total revenue for the first time since FY13, accounting for a combined 50.5% of total revenue. This is up from the low point of 48.7% of revenue in FY15.
- Year-on-year, total operating expenses increased by a greater proportion than revenue (increasing 3.3% or \$2.4m to \$74.6m in FY17 compared to a 2.8% increase in revenue).
- Much like revenue, we classify expenses into three categories; team & match related costs, growing the game and administration. Team & match related costs account for 46.6% of total expenses, growing the game costs account for 27.1% and administration expenses round out the final 26.3%.
- Team & match related costs grew the most with a \$1.4m (4.3%) year-on-year increase in spending. Administration expenses posted a \$0.6m (3.3%) year-on-year increase. Disappointingly, while total revenue increased by 2.8%, growing the game expenses only increased \$0.3m (1.5%) year-on-year.

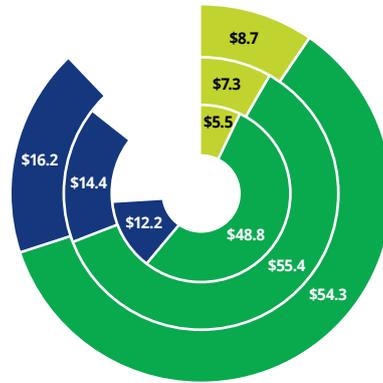
Mitre 10 Cup Unions - Consolidated Results



Financial Position

- The 14 unions combined had a closing total assets of \$59.0m for FY17, which has increased 3.9% from \$56.8m in FY16.
- Similar to FY16, the asset class that had the largest growth was cash, growing \$2.5m (23.4%) year-on-year.
- Positively, the combined unions’ total liabilities decreased by \$1.5m (7.1%) in FY17.
- Accumulated funds for the combined unions in FY17 totalled \$38.4m. This was up from \$34.6m in FY16 and is the highest level of accumulated funds held by the unions since FY06.
- For the first time since FY06, all the Mitre 10 Cup unions have positive accumulated funds. The notable example is Waikato, who have worked hard to transform accumulated losses of \$860,000 in FY15 into an accumulated funds surplus of \$75,000 in FY17.
- Short-term borrowings for the unions have increased slightly from \$0.9m in FY16 to account for \$1.0m of the total liabilities in FY17.
- The combined unions’ long-term borrowings have increased from \$7.3m in FY16 to \$7.6m in FY17. This represents a 4.0% year-on-year increase and continues the growth trend started in FY14 as unions leverage financial positions to invest in property and facilities.
- Encouragingly, payables significantly decreased in FY17 from \$10.8m in FY16 to \$8.5m. This 21.1% decrease in payables reflects the ability of the unions to pay for their expenses with the extra revenue received.
- The net working capital position for the combined unions totalled \$12.4m in FY17, an increase of 21.3% from \$10.2m in FY16. This increased the working capital ratio from a positive 1.7 in FY16 to a healthy 2.0 in FY17.
- However, the number of individual unions with negative net working capital has increased over FY17. Six unions now have nil or negative net working capital balances and this should be an area of focus for union management in the year ahead.

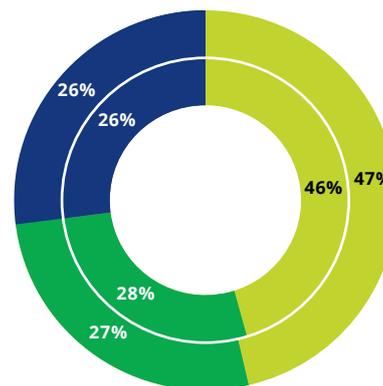
Mitre 10 Cup Unions - Total Revenue



**Outer ring = FY17
Middle ring = FY16
Inner ring = FY15**

■ Match related income
■ Grants and sponsorship
■ Other revenue

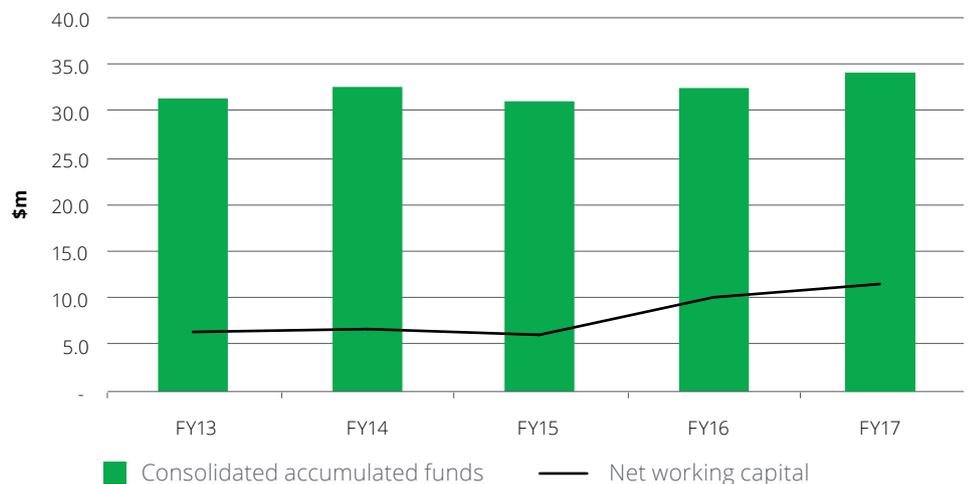
Mitre 10 Cup Unions - Operating Costs



**FY16 v FY17
Outer ring = FY17
Inner ring = FY16**

■ Team & match related costs
■ Growing the game
■ Administration

Mitre 10 Cup Unions - Consolidated Accumulated Funds



State of the Unions FY2017

FY17 highlights



11/14

Mitre 10 Cup unions achieved surpluses in FY17

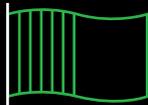
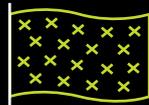


10/12

Heartland Championship unions achieved surpluses in FY17

\$79.2m

Of total revenue - up by \$2.1m
(a 2.8% growth from previous year)



50.5%

of the combined revenue in FY17 was generated by the five large unions with Super Rugby franchises bases

\$209.6m

spent in Growing the Game in past 10 years

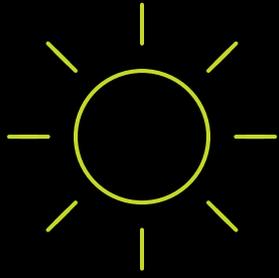


First time in 10 years that all 14 unions are in positive equity



19%

increase in Match Related Income



\$3.8m

Combined surplus (highest in 11 years), up \$0.3m on FY16

9.4% ↓

drop in male player registrations for senior players (21+) in Mitre 10 Cup unions

Auckland achieves highest ever surplus result of any union (\$2.1m) on the back of the British & Irish Lions games at Eden Park

2x

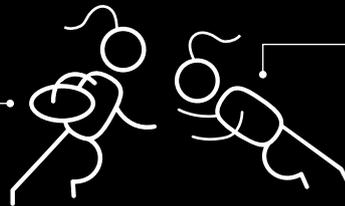
the number of female players since 2007, almost at 20,000 players

\$20.2m

expenditure in Growing the Game - up 1.5%

15.1%

of rugby player registrations are female



Best liquidity position in 10 years with a combined Working Capital Ratio of 2:1 in FY17



\$38.4m

in combined accumulated funds in FY17, with the Mitre 10 Cup unions recovering to their FY07 position

Financial performance

The unions have converted another successful season into a significant increase in revenue and a never seen before surplus.

Not to be outdone by FY16's solid surplus result, the unions are building to be stronger than ever with an even greater surplus of \$3.8m in FY17. This surplus was the largest surplus for the combined unions since the inception of our reporting analysis. The \$3.8m surplus topped last year's record setting \$3.5m and shows that a collective surplus can be the new norm for the Mitre 10 Cup unions.

However, the unions could not match FY16 in every aspect of great results as 3 of the 14 unions had deficits for FY17. While every union achieved a surplus in FY16, the record FY17 surplus illustrates that some teams carried others in this respect. Canterbury, Counties Manukau and Manawatu were the three unions that posted respective deficits of \$22,000, \$179,000 and \$238,000. While none of these are significantly losses in the scheme of business, every union should strive to get as close to break even if not a surplus as possible.

Only four of the 14 unions were able to better their performances from FY16, with those being Auckland, Northland, Waikato and Wellington. The increased performance of these four unions was able to offset the decrease in financial performance of the other ten unions. Auckland was the most valuable player financially for the 2017 financial year with a \$2.1m increase in surplus, from \$0.6m in FY16 to \$2.7m in FY17. With two of the British and Irish Lions test matches being played at Eden Park it is

Match related income totalled \$8.7m for the combined unions in FY17. This is an increase of \$1.4m (19.0%) from the 2016 financial year and accounts for 10.9% of the total revenue received.

implicit that this generated a significant portion of the extra \$1.8m in revenue from test match fees for the Auckland union.

Collectively, the unions increased their revenue by \$2.1m on FY16, this 2.8% increase brought total revenue to \$79.2m for FY17. Auckland's increase in revenue carried this result as they posted a \$3.0m increase in total revenue on their own. Remarkably, this means the other unions' total revenue actually decreased by a collective \$0.9m for the 2017 financial year.

The top four revenue earners for FY17 were Auckland, Canterbury, Wellington and then Bay of Plenty. They had respective total revenue figures of \$15.4m, \$8.4m, \$7.1m and \$5.8m for Bay of Plenty.

With the top three revenue earners having Super Rugby franchises based in them, it comes as no surprise that 50.5% of total revenue is contributed from the Mitre 10 Cup unions that have Super Rugby franchises based in them. This contribution percentage is up from last year where they only contributed 48.7% of the total revenue.

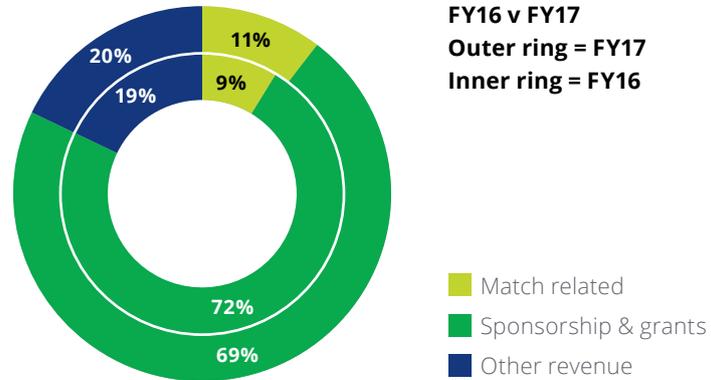
As part of our analysis, we categorise operating revenue into three categories: match related income, grants & sponsorship, and other revenue.

Match related income totalled \$8.7m for the combined unions in FY17. This is an increase of \$1.4m (19.0%) from the 2016 financial year and accounts for 10.9% of the total operating revenue received. Auckland had a 118.6% increase in match related income for FY17. Auckland's match related income for the year was \$3.2m, up from \$1.5m in FY16 aided by the test match fees received for hosting the Lions tests. Collectively, all the other unions had a decrease in their match related income by \$0.3m.

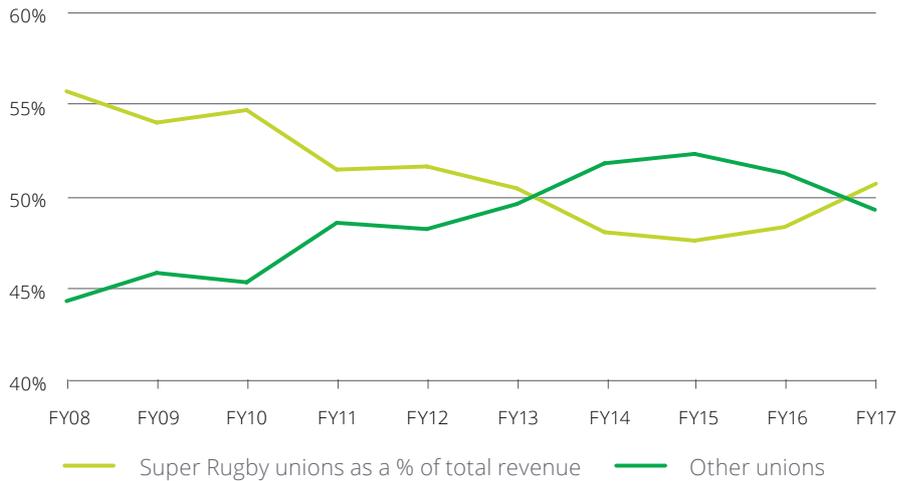
Of the unions which hosted semi-finals, Canterbury was the only union not to increase their match related income compared to FY16. Bay of Plenty, Taranaki and Wellington had increases of \$82,000, \$18,000 and \$5,000 respectively. Of these four unions, Bay of Plenty was the only union last year not to host a semi-final giving some justification as to why their match related income increased the most of this group of four. These teams show the importance for Mitre 10 Cup teams to perform on match day but also, for the unions themselves, providing the full experience for fans so they want to come back.

Only half of the Mitre 10 Cup unions were able to increase their match related income on their FY16 performance. Honourable mentions must go to Auckland (as stated above) for their increase in match related income but also to the Northland union. Northland had a \$127,000 increase in match related income in FY17. This 34.2% increase again shows the importance of performance as in the Taniwha's case they won four more games than in 2016 and made the Championship semi-final.

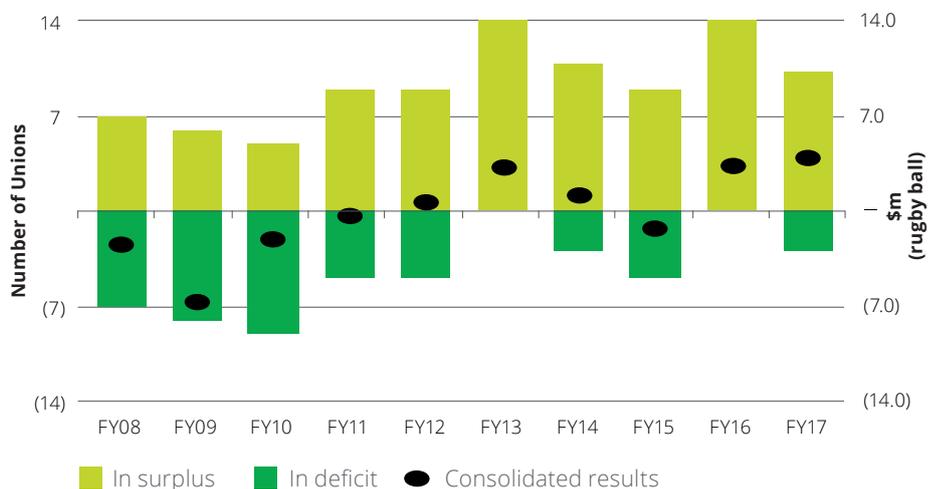
Mitre 10 Cup Unions - Total Revenue



Investec Super Rugby Based Unions vs Other Unions Percentage of Total Revenue



Mitre 10 Cup Unions' Results



Grants & sponsorship revenue makes up \$54.3m (68.6%) of the \$79.2m total revenue for FY17. Grants & sponsorship revenue has decreased \$1.1m this year which constitutes a 1.9% decrease from FY16. The largest movements for grants & sponsorship were in Bay of Plenty and Northland. Bay of Plenty increased their grants & sponsorship income by \$0.3m and Northland decreased their grants & sponsorship income by \$0.6m.

Contained within grants & sponsorship revenue are the grants the provincial unions receive from NZR. The funding NZR gives the Mitre 10 Cup unions totalled \$26.3m for FY17 which was down \$0.4m on FY16. Grant funding from NZR constitutes 48.5% of the total grants & sponsorship received and 33.3% of the total revenue

received by the Mitre 10 Cup unions. These percentages show that the Mitre 10 Cup unions are not self-sufficient and still have a heavy reliance on the grants from NZR to be able to operate.

The final revenue category, other revenue, increased \$1.8m to \$16.2m in FY17. The Auckland union accounted for \$1.4m of the \$1.8m increase in other revenue whereas Hawke's Bay had a \$0.3m decrease in other revenue. The positive area for other revenue is that it has grown \$5.3m (48.8%) since FY07 and shows no signs of slowing its growth. The growth in this area demonstrates that over the last decade the unions have worked hard to diversify their revenue streams to become slightly less reliant on the funding received from NZR.

For FY18 we expect the collective revenue to return to a level similar to that in FY16 at around \$77.0m. This expectation is based on the fact that FY17 was the second year of a five year broadcasting deal signed by the NZR and that NZR posted a record surplus for the 2017 financial year. There is no known rationale for the grants provided from NZR to the provincial unions to drastically decrease in the next few years. The good performance of NZR however does not guarantee the unions an increase in revenue so they will have to create new revenue streams or develop their current streams to generate any significant further income.

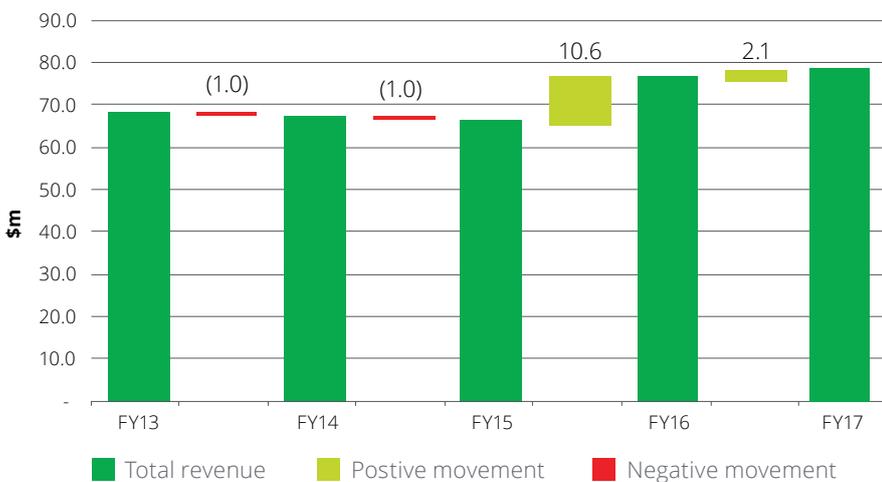
Total operating expenditure for the combined unions has increased \$2.4m (3.3%) to \$74.6m for FY17. As the Mitre 10 Cup unions are not-for-profit entities, a 3.3% increase in operating expenditure is in line with expectation as it is a similar increase to the 2.8% increase in revenue that has occurred.

Of the 14 unions in the Mitre 10 Cup, nine of them increased their spending from FY16, with their increases in expenditure ranging from 1.7% to 16.6%. Canterbury and Hawke's Bay were the two unions closest to the break-even point and were two of unions that managed to decrease their total operating expenditure in FY16 and FY17. This shows prudent financial management from these unions to recognise that they must tailor their expenses to meet their income.

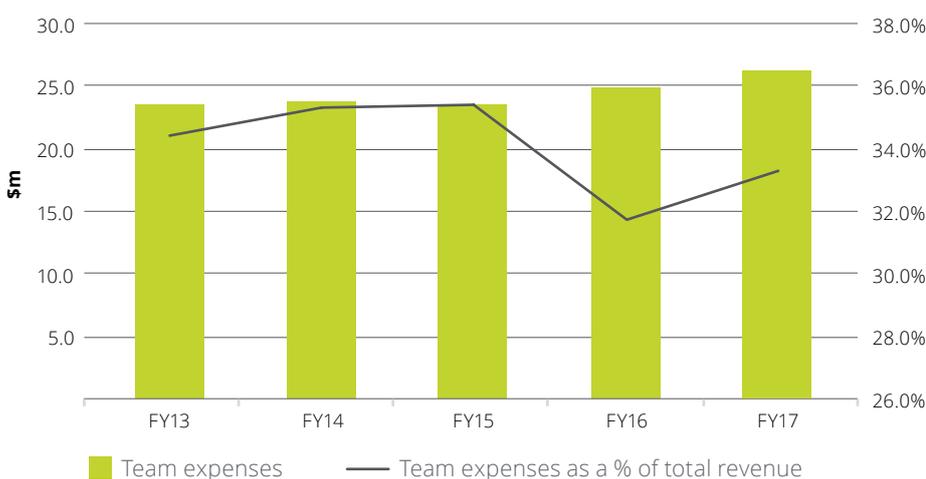
For our analysis operating expenditure is grouped into three categories; team and match related costs, growing the game expenditure and administration costs. Unsurprisingly, all three classifications of expenditure have increased their spending in FY17 which reflects the extra revenue the unions received.

Team and match related costs increased to \$34.8m in FY17, an increase of \$1.4m (4.3%) from FY16. This expense classification has always been the largest expense for the unions and reflects costs such as player payments, team management salaries and other game day related expenses associated with travelling to or hosting matches.

Mitre 10 Unions - Revenue Bridge



Mitre 10 Cup Unions - Team Expenses





Total operating expenditure for the combined unions has increased \$2.4m (3.3%) to \$74.6m for FY17.

Team and match related expenses increased the greatest over FY17 compared to growing the game and administration expenses. This may reflect the recognition from the unions that greater expenditure in this area correlates to greater team performance and therefore greater match related income. It may appear as though some unions are pumping an increasing amount of money into their top teams as team expenses have continued to increase since FY13. However, as stated in last year's report, FY13 was the low point of team expenditure and at FY17 they still sit 17.7% below the expenditure on FY07.

Disappointingly, growing the game expenditure was the smallest moving expenditure category in FY17. Growing the game costs only increased \$0.3m from FY16, which is a minor increase of 1.5%. This expense classification includes expenses such as amateur competitions,

training costs, community coaching and development and marketing. While it was the smallest increasing expenditure stream, growth is still growth and with FY13 excluded this is the highest level of growing the game expenditure since FY10.

Bay of Plenty lead the way with the largest growth in the growing the game expenditure classification. An increase of \$0.4m constituting a 34.9% increase demonstrates their willingness to invest their extra revenue back into the community and building the base of the game in their region. Contrary to this, Waikato had the greatest decrease in growing the game expenditure, dropping \$0.3m from FY16. Reviewing Waikato's financials it is reasonable to determine that the union needed to secure its own financial position before investing back into the community, which demonstrates the tough decisions our game's treasurers have.

Administration expenses, such as audit fees, office salaries and sundry office expenses increased by \$0.6m (3.3%) in FY17. Auckland had a \$0.8m increase in administration expenses this year, which on its own is a significant increase (16.8%), however with such a large increase in revenue it should be expected that some areas of expenditure would likely also increase.

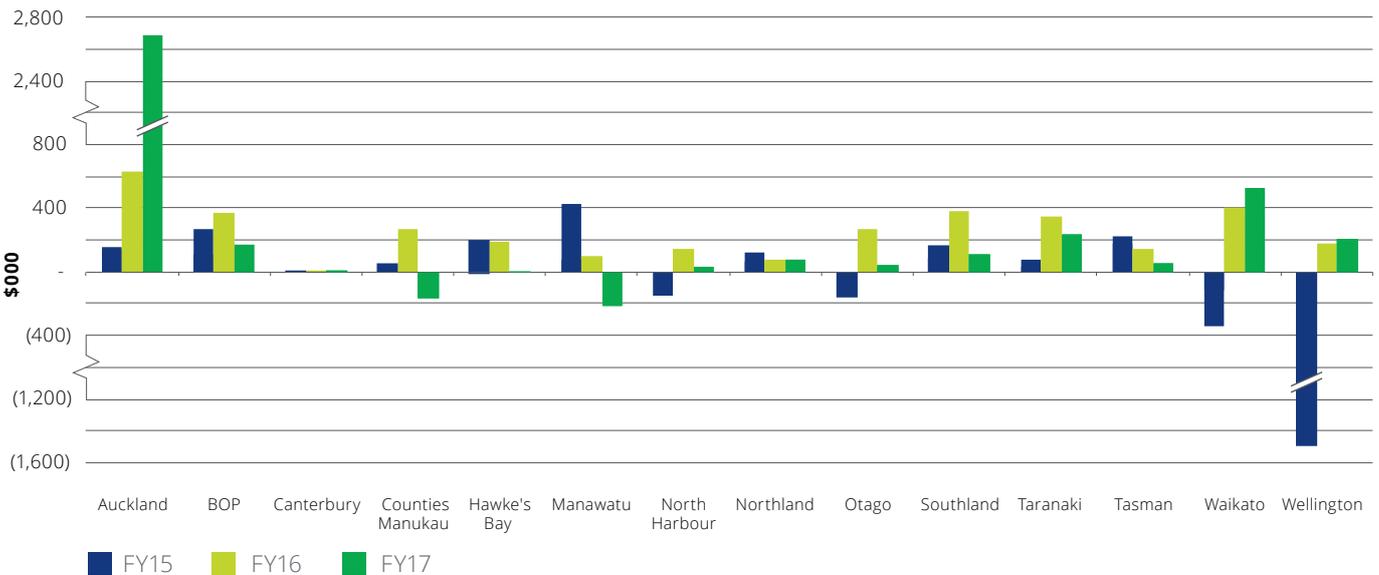
The positive trend with the unions' administration expenses is that, excluding Auckland, administration expenses have decreased by \$0.2m from FY16.

Our expectations for next year are that the majority of the unions will work more towards a small surplus or break-even result. The unions will use the financial base they have built up over the last six years to deliver on their non-financial key performance indicators.

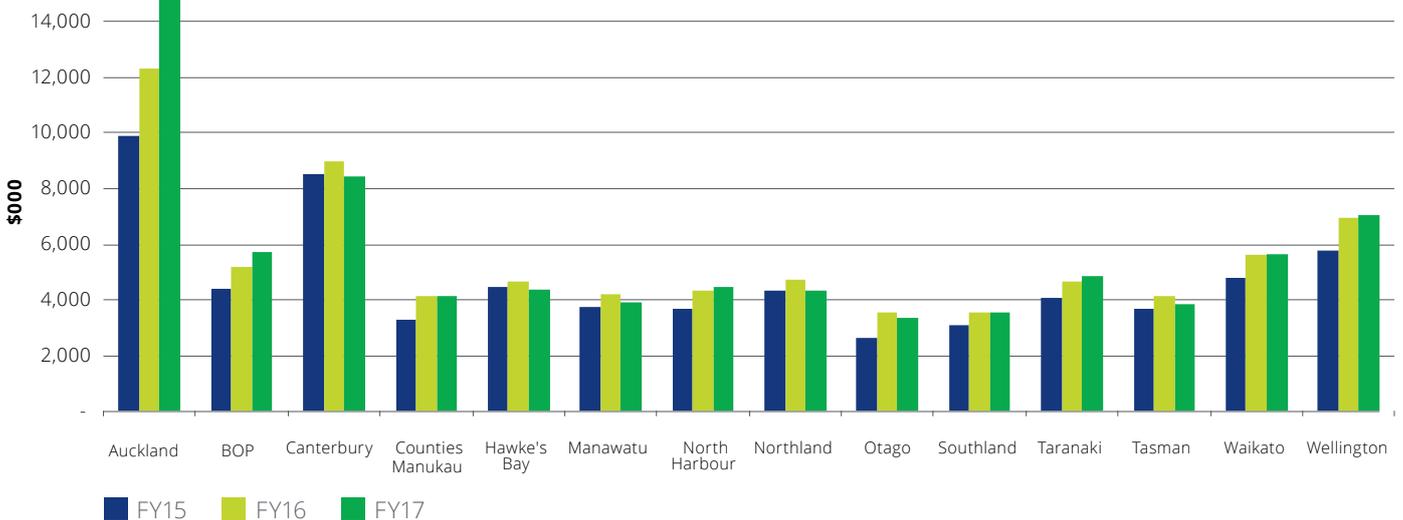
As not-for-profit entities, the unions are not expected to retain significant surpluses, but enough to ensure that they have sufficient reserves to meet any unexpected downturn or financial risk that may occur. For those unions in a solid position we would expect that they would invest increasing amounts into their communities to meet their strategic goals.

Of the 14 unions in the Mitre 10 Cup, nine of them increased their spending from FY16, with their increases in expenditure ranging from 1.7% to 16.6%.

Net Surplus/Deficit by Union - FY15 to FY17



Revenue by Union - FY15 to FY17

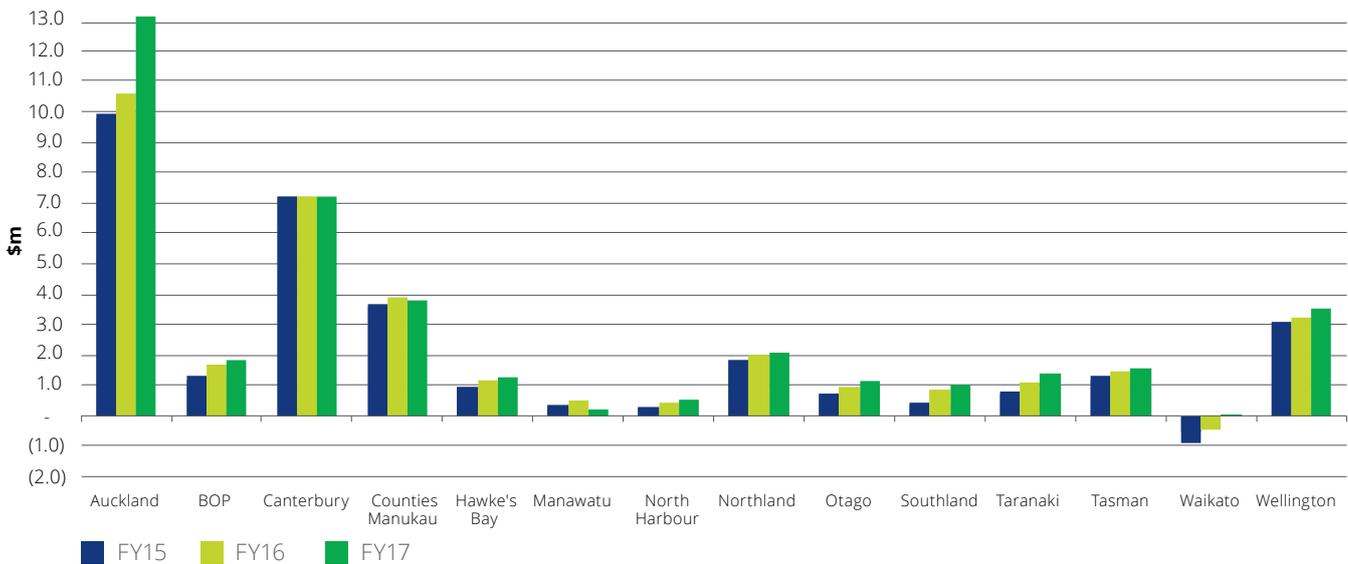




Financial position

Taking advantage of the record surplus achieved in FY17, the combined unions' have converted this result into a strengthened financial base lifting their accumulated funds to a level not seen since before FY07.

Accumulated Reserves by Union - FY15 to FY17



For the first time since beginning our analysis, the 2017 financial year marks a milestone as every union has positive accumulated funds. Total accumulated funds for the combined unions has increased \$3.8m in FY17 (an 11.0% increase). While we are commending their efforts this year, it should be noted that this year's surplus has only risen accumulated funds to a slightly better position to that in FY07.

The unions need to recognise that they should not have to erode the current accumulated funds of \$38.4m to be able to operate. History shows that it took six years to rebuild the damage that four years of consecutive losses caused. The unions will be mindful that they need to continue to build their revenues while

monitoring their expenditure to allow their accumulated funds to grow further, allowing them to reinvest those reserves into further developing their communities and additional revenue streams.

Waikato must be commended for their effort as they have posted an incredible result in FY17 to boost their accumulated funds back into the black. A \$0.5m surplus for 2017 has given Waikato accumulated funds of \$75,000 joining the ranks of all the other unions with positive accumulated funds. Their turnaround from accumulated losses of \$860,000 in FY15 to accumulated funds of \$75,000 in FY17 was generated through greater revenues over the period while restricting their expenditure to a consistent level.

For the first time since beginning our analysis, the 2017 financial year marks a milestone as every union has positive accumulated funds.

Auckland has extended its lead as the union with the greatest accumulated funds and now accounts for over a third (34.5%) of the combined unions' accumulated funds. Combine Auckland's \$13.3m of accumulated funds with Canterbury's \$7.2m and it accounts for over half (53.2%) of the total accumulated funds for the Mitre 10 Cup.

Throughout our reports, we have used a base of \$1.0m as a good benchmark for accumulated funds. This level of accumulated funds would allow any union to handle any change in their economic environment for a few years without facing significant hardship.

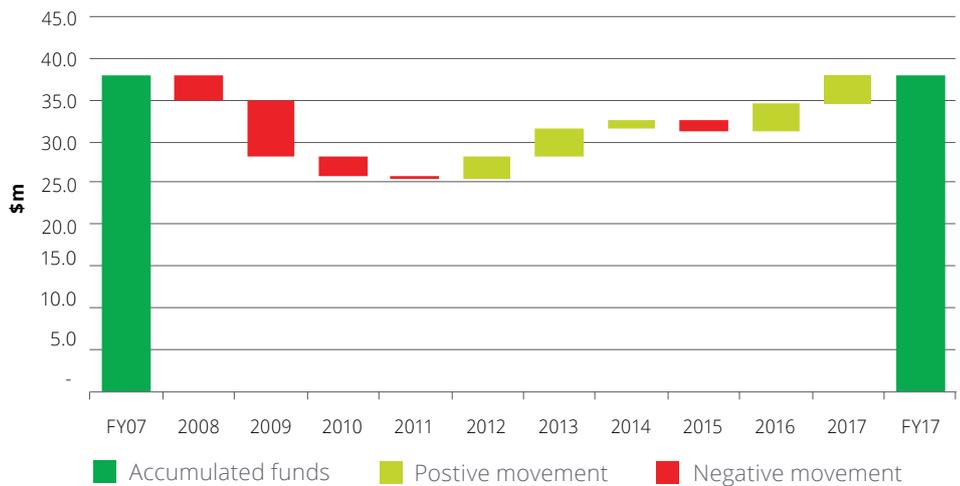
In FY16 there were five unions that sat below this threshold of \$1.0m in accumulated funds. As at FY17 there are now only four unions that sit below this threshold, with Otago, whom posted a small surplus for the year (\$59,000), managing to break that ceiling to end on accumulated funds of \$1.0m for FY17. Otago's deep-south neighbour appears to be the next union likely to surpass the threshold as with a similar or better surplus result as FY17 will see Southland passing the \$1.0m threshold.

Our reasoning for the \$1.0m threshold is evident when we look at Manawatu's situation in FY17. Manawatu had accumulated funds of \$478,000 in FY16, then subsequently halved their accumulated funds with a deficit of \$238,000 in FY17. If they have a similar year in FY18 their accumulated funds will be completely eroded. As can be seen, a \$1.0m threshold should give any union enough time to put in place corrective action so as not to incur continuous losses and jeopardise the future of their union.

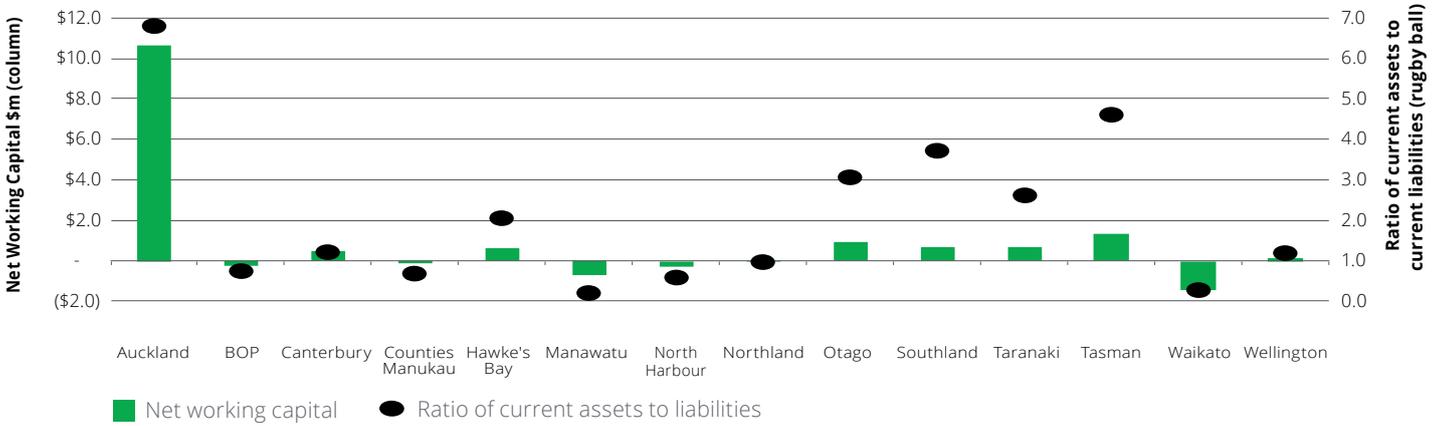
With all of the unions now having positive accumulated funds and these funds building steadily, the next point of focus should move to net working capital for the unions' financial administrators. Net working capital is an organisation's current assets less its current liabilities. It is a key measure of liquidity as it gives an indication of a business' ability to pay its creditors.



Mitre 10 Cup Unions - 10 year movement of consolidated accumulated funds



Mitre 10 Cup Unions - Net Working Capital FY17



While the combined unions' net working capital position increased by \$2.2m, from \$10.2m in FY16 to \$12.4m in FY17, another union has slipped into a negative net working capital position. This means six of the 14 Mitre 10 Cup unions have negative working capital positions.

The first correction that needs to be made by the respective unions is to get themselves into a positive net working capital position, from there they should continue to build their working capital to a ratio of 1.5:1 or greater. A healthy union should have a working capital ratio of 1.5 to 2.0 or greater as this means if all of the current liabilities were due at once they would be able to service them and still have enough assets to comfortably continue their operations. Currently only six unions have a healthy working capital ratio of 1.5:1 or greater.

Cash is one of the most valuable commodities to the unions so it is pleasing to see that cash (less any overdrafts) have increased by \$2.3m this year. In FY16 cash equated to \$10.9m of the current assets whereas in FY17 cash totalled \$13.4m. Northland, who were the only union in overdraft last year, have worked themselves out of overdraft for the 2017 financial year and have a modest cash balance of \$167,000. However, Manawatu, who had a less than favourable financial year in FY17, now have a sizeable overdraft of \$337,000.

Cash is a tough asset for the unions to manage. Administrators need to make sure there is enough cash on hand to be able to service any debts and pay their expenses as they fall due. Saying that, every entity should consider whether their assets are generating the greatest return possible for their money. The administrators of the Auckland union should look at their cash balances to see if they can be better utilised as they currently sit at \$8.2m.

It appears as some unions have already thought about the returns on their assets. Investments have increased by \$1.4m from \$12.9m in FY16 to \$14.3m in FY17 which is evident of unions wanting a greater return for their money. Coupling this with a combined \$0.6m increase in investment in property, plant & equipment shows some unions are putting their money to work to get long-term gains by improving the equipment and facilities for their teams.

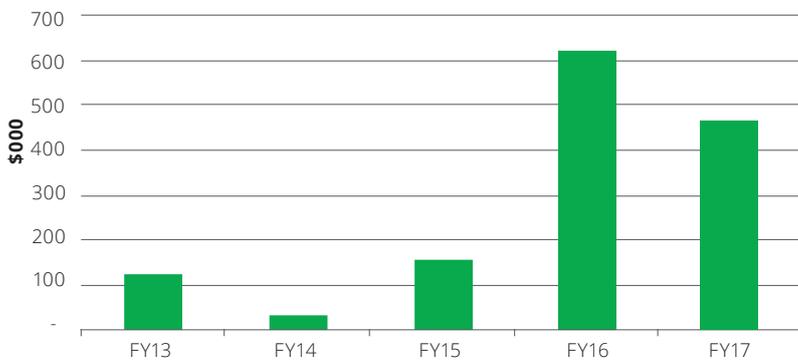
Long-term borrowings have increased by \$0.3m over FY17. The largest influence in this increase is a new loan of \$0.9m obtained by Bay of Plenty. It appears this loan has been used to fund investments or property, plant & equipment so it can be assessed as being a beneficial use of funds. It should be noted that Waikato have managed to reduce their long-term borrowings by \$0.5m while some of this may have moved to short term borrowings, they state in the annual report that \$0.4m of historical debt has been paid off.

A combined \$0.6m increase in investment in property, plant & equipment shows some unions are putting their money to work to get long-term gains by improving the equipment and facilities for their teams.

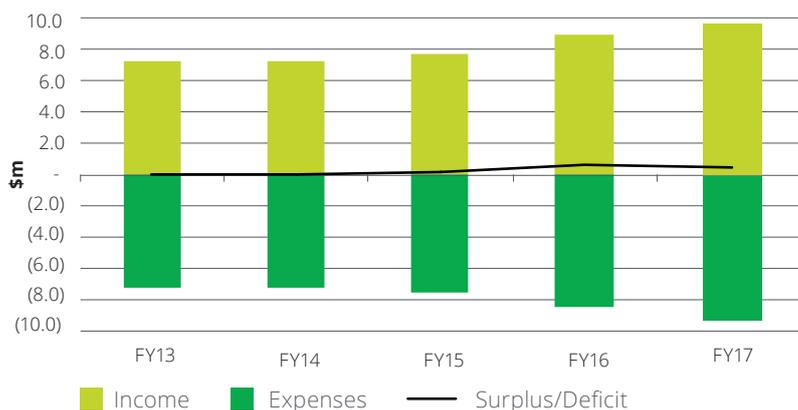
Heartland Championship unions

In our 4th year of reporting on the Heartland Championship, their results have followed the suit of the Mitre 10 Cup. They have posted a healthy collective surplus for FY17, however individually a few unions stumbled into financial deficits.

Heartland Rugby Unions - Consolidated Results



Heartland Rugby Unions - Consolidated Results



The Heartland Championship unions have shown that while last year was a standout year, sizeable surpluses are looking to be the new norm. In FY17 the Heartland unions posted a combined surplus of \$473,000. This is down from the FY16 high of \$622,000 but is significantly larger than the surpluses from FY13 to FY15 which ranged from \$34,000 to \$159,000.

A positive trend to the Heartland results is that their revenue has continued to increase over the past 3 years. The revenue has increased \$471,000 (5.2%) from \$9.0m in FY16 to \$9.5m in FY17. From FY13 revenue has increased \$2.2m (30.5%) which for these smaller unions with less of a population base behind them is a significant increase.

Of the revenue the Heartland unions receive, \$5.1m of that is provided in the form of grants from NZR. This funding from NZR constitutes 54.2% of the total revenue and has increased by \$14,000 in FY17. The amount of funding received shows, much like the Mitre 10 Cup unions, the Heartland unions are also heavily reliant on these grants to remain operational.

As not-for-profit entities, due to the 5.2% increase in revenue a corresponding increase in expenses is to be expected. This year expenses have increased \$620,000 across all of the Heartland unions, which constitutes a 7.4% increase. Over the past five years expenses have increased by \$1.9m (26.2%) from FY13 to FY17's value of \$9.0m.

It appears this year that the administrators of these unions have used the increased grants from NZR effectively but are still conscious of living within their means. Following on from last year, King Country have topped the Heartland unions and posted an even stronger result than FY16 with a surplus of \$185,000. This fantastic result is despite them only winning one game in the regular season showing that in this competition there may not be such a great a correlation between winning games and a financial surplus.

New Zealand Rugby

NZR has turned around the previous two deficits with its largest surplus of the past 12 years.

They have posted an impressive \$29.9m surplus for FY17. For comparison, in FY05 (the last time the British & Irish Lions toured New Zealand) NZR posted a surplus of \$23.7m.

The increase in revenue from FY16 was largely generated from the impact of the British & Irish Lions tour with considerable commercial revenue being received and larger ticket sales for the tour. Total revenue for FY17 was up \$95.6m (59.1%) with the largest growing revenue category being match related income, increasing 267.4% (\$47.0m) from FY16. Commercial revenue also had a significant increase for NZR over this financial year increasing \$38.9m (30.4%) on FY16.

Operating expenditure has also increased for FY17 however with such a significant increase in revenue an increase in expenses is expected, especially with having to host the British & Irish Lions. Competitions expenditure increased \$29.5m up from \$82.4m in FY16 to \$111.9m in FY17.

The other significant expenditure increase was in the National Teams, which increased \$21.0m (43.4%) over the period. We expect this National Team costs to also increase in FY18 with the recent announcement of the implementation of the professional women's rugby regime in New Zealand, recognising that female rugby players should also have the opportunity to make rugby their profession.

New Zealand Rugby Operating Revenue



NZR has strengthened their financial position to a new high with their net assets topping \$121.1m. Much like the surplus NZR made this year, NZR have never held a level of net assets this large in the last 12 years (since our period of analysis began). The key for NZR will be to transform this increase in net assets into generating new revenue streams for the long term to create continued growth.

As stated in the Mitre 10 Cup analysis, a strong working capital position holds a ratio of 1.5 to 2 or greater. NZR's working capital ratio is 2.5:1 showing that they are in a strong financial position and should be able to service any immediate debt as it falls due. NZR have worked hard this year to increase this ratio from

1.7:1 in FY16 by retaining substantial amounts of cash and reducing their sponsorship received in advance.

Moving forward, while not jeopardising their own financial position, we hope that NZR manage to continue their increased investment into the game development of community rugby. Game development expenditure by NZR increased by \$2.1m in FY17 to \$30.0m, this is \$8.9m more than FY15. This expenditure is critical for the survival of the majority of the Mitre 10 Cup and Heartland unions as well as long term for NZR as the players at these levels will be the future All Blacks or Black Ferns representing New Zealand.



Supporter and community engagement

Social media presence

Fan experience is about creating unique and meaningful event experiences that influence behaviour over long period of time. Supporter engagement does not just occur at the sporting venue, or only during the match or even the season.

Engagement with fans needs to continue throughout the year, with increased emphasis during meaningful periods and key moments. A key tool used to engage with supporters is social media.

As highlighted in previous reports the reach that the various unions have

built on the social media platforms has increased, and that trend continued in the past year. Growth in overall Facebook likes of 6.6%, while Twitter followers have increased by 9.5%.

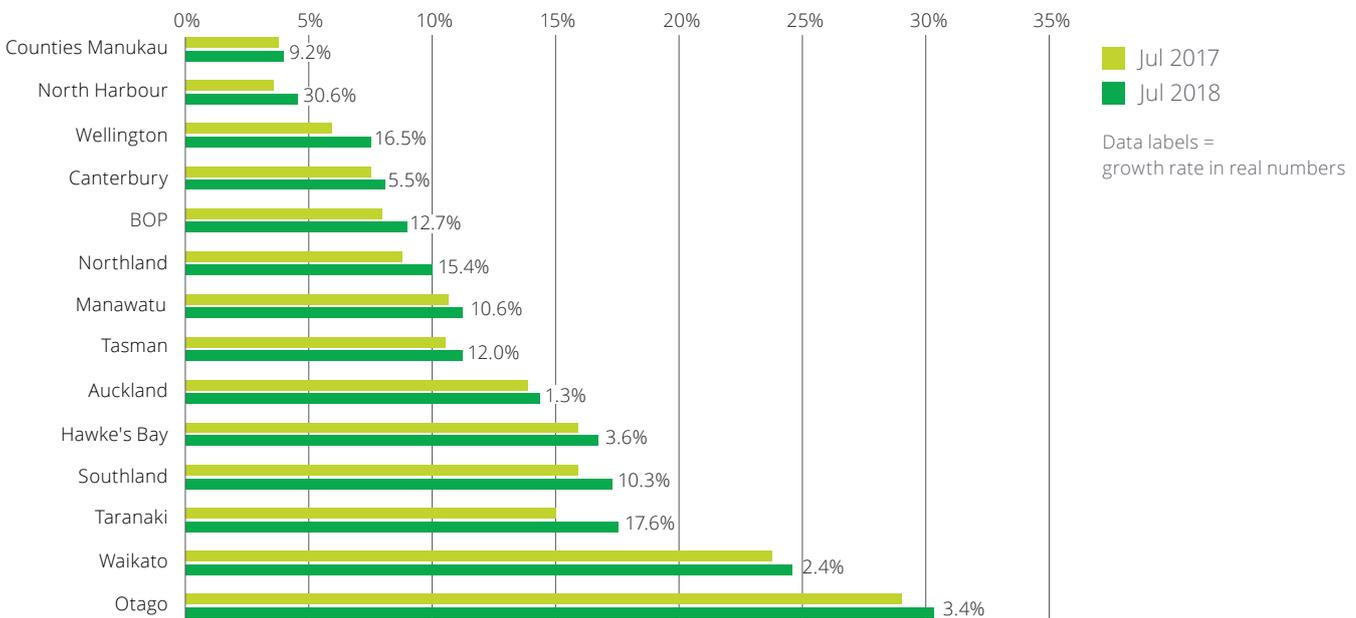
Instagram followers had the greatest increase in percentage terms as the unions' followers grew by 26.1% over the year, which continues the outstanding growth seen last year.

The unions' communication teams have had success in increasing their respective unions' social media presence, and in order to continue and enhance

their current profile meaningful and quality engagement with the supporters through the various platforms is vital.

A summary of the unions' social media statistics can be found in the table opposite. For comparison purposes, we have also summarised the social media presence for the All Blacks and the five Super Rugby franchises in New Zealand. Clearly, there is a much greater reach for these teams and a higher supporter base for the Super Rugby product.

Mitre 10 Cup Unions - Equivalent percentage of population engaged via Facebook





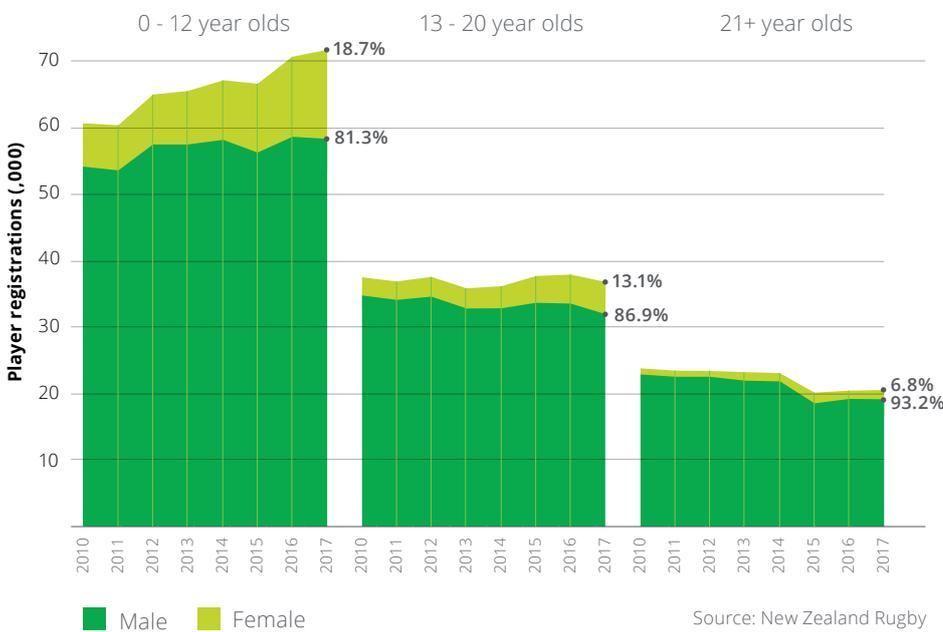
| Mitre 10 Cup Unions | Population Base ('000s) | Facebook likes ('000s) | Twitter Followers ('000s) | Instagram followers ('000s) |
|---------------------|-------------------------|------------------------|---------------------------|-----------------------------|
| Auckland | 872.6 | 124.9 | 10.1 | 23.3 |
| Waikato | 350.9 | 86.0 | 6.6 | 10.8 |
| Otago | 146.4 | 44.3 | 5.5 | 8.7 |
| Canterbury | 512.9 | 41.0 | 5.8 | 16.5 |
| Wellington | 416.7 | 31.5 | 4.5 | 8.4 |
| Hawke's Bay | 164.0 | 26.9 | 2.6 | 2.3 |
| Taranaki | 130.8 | 23.2 | 5.9 | 10.1 |
| BOP | 252.2 | 22.4 | 2.9 | 5.8 |
| Counties Manukau | 468.7 | 18.9 | 4.9 | 3.8 |
| Tasman | 152.5 | 18.6 | 3.8 | 3.3 |
| Northland | 175.4 | 17.6 | 2.7 | 2.6 |
| Southland | 98.4 | 17.1 | 3.2 | 4.8 |
| Manawatu | 132.6 | 16.2 | 3.5 | 4.6 |
| North Harbour | 315.9 | 14.0 | 3.9 | 2.4 |



| Super Rugby teams | Population Base ('000s) | Facebook likes ('000s) | Twitter Followers ('000s) | Instagram followers ('000s) |
|-------------------|-------------------------|------------------------|---------------------------|-----------------------------|
| Crusaders | 783.7 | 380.2 | 93.1 | 124.0 |
| Chiefs | 1,308.2 | 306.8 | 83.4 | 127.0 |
| Hurricanes | 1,005.4 | 283.2 | 55.8 | 150.0 |
| Blues | 1,363.9 | 222.6 | 63.5 | 95.8 |
| Highlanders | 332.2 | 198.8 | 53.4 | 89.4 |
| All Blacks | 4,793.3 | 4,512.3 | 821.0 | 1,000.0 |

For the under 12 age group which grew another 1.4%, female player registrations have increased by 7,157 (up 111.0%) since 2010, and male player registrations also grew by 5,314 (up 9.8%).

Mitre 10 Cup - Player Registrations by Gender



Rugby at the grassroots

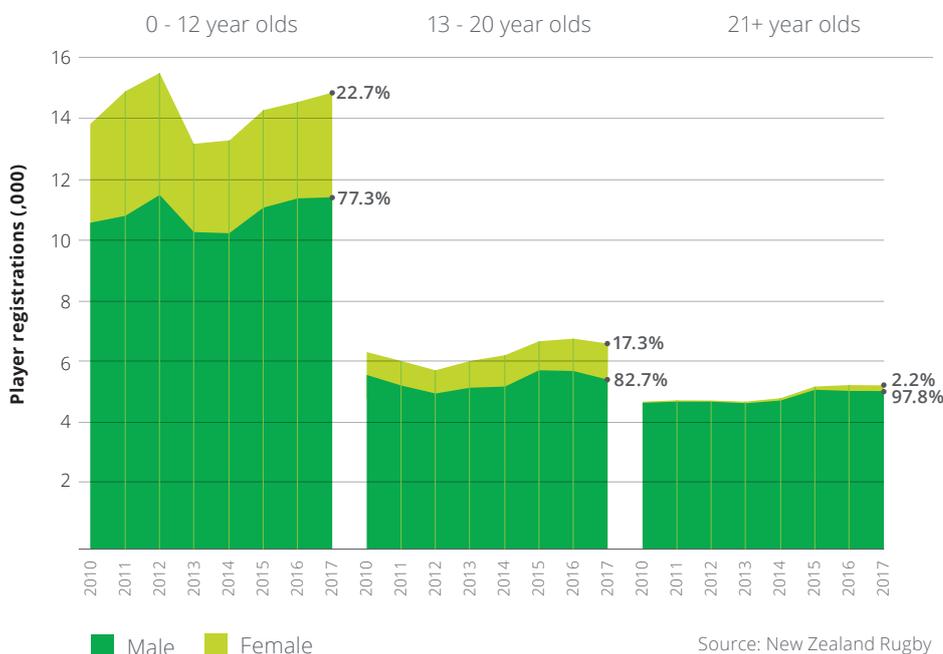
Players

The number of rugby players is a key indicator of the health of the game and, similar to many traditional sports in New Zealand, rugby unions face a challenge to grow the number of registered players.

For the Mitre 10 Cup unions, collectively the number of player registrations declined by 178 (0.1%) from 2016 to 2017. The age group that drove the decline was the senior grades (21 year olds and over) as they decreased by over 2,000 registrations, a drop of 8.9%. Since 2010, the senior grades have decreased in size by 11.0%, driven by the drop in males of 13.8%, offset by the positive increase in female in the senior grades by 63.8% in the same period.

The secondary school age group, in the Mitre 10 Cup unions, had an increase of 2.5% in 2017 on the previous year, with both male and female player registrations growing by 0.7% and 15.5% respectively. 2017 saw the first increase in male player numbers in this age group for the past three years in contrast to the seventh year in a row that the female number have increased. The growth in females playing rugby in the secondary school age group, although impressive with a gain of 78.6% since 2010, is outweighed by the decrease in male participation of 2,264 player registrations since 2010 (down 6.5%).

Heartland - Player Registrations by Gender



The positive story, on an age group basis, is in the under 12 age group which grew another 1.4%, its sixth consecutive year of growth. On a gender basis, female player registrations have increased by 7,157 (up 111.0%) since 2010, and male player registrations also grew by 5,314 (up 9.8%). In 2017 this age group makes up 55.5% of all rugby player registrations of the Mitre 10 Cup unions.

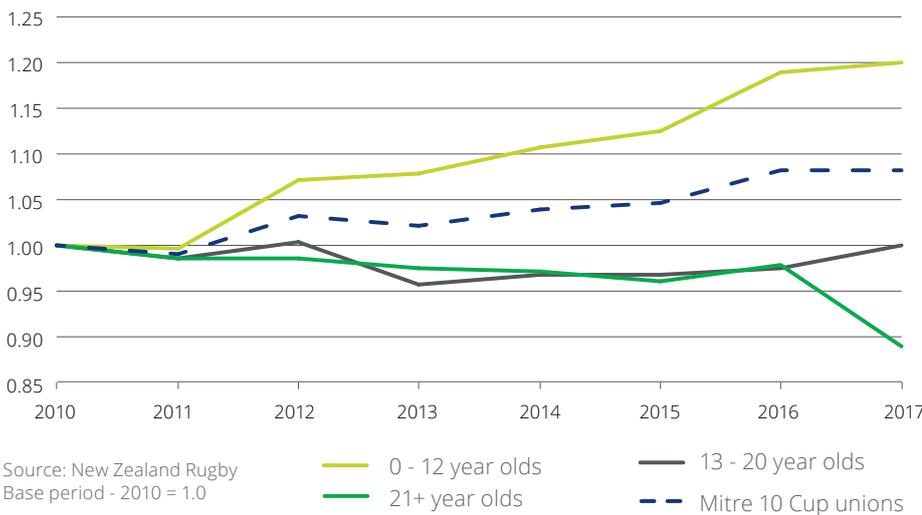
Two of the Heartland unions' age groups grew in 2017 (under 12s up 2.3% and secondary school age group up 6.0%). The senior grade fell 6.7% with the male player registrations dropping 7.0% being offset by an increase of 7.3% in female players.



Consistent with the Mitre 10 Cup unions, the under 12 age group makes up 55.5% of the total players registered in the Heartland unions.

Of concern for rugby administrators will be the statistic that none of the age groups in 2017 are greater than their 2010 figures for the combined Heartland unions. In addition, the total senior men registration numbers for both Mitre 10 Cup and Heartland unions have fallen 11.0% since 2010, with only five of the 12 Heartland unions and two of the 14 Mitre 10 Cup unions increasing in this age group.

Mitre 10 Cup unions - player registration movement



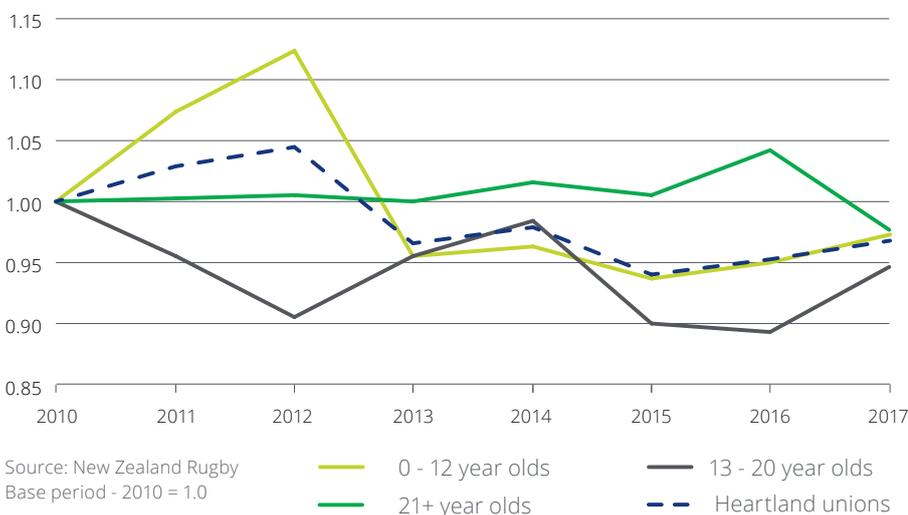
Volunteers

With the sheer number of roles and tasks undertaken by volunteers for the 26 rugby unions and 484+ rugby clubs around the country it is almost too toilsome to count the number of volunteers that make the game run at the grassroots level and consequently the data is not readily available to analyse. However, each of the unions and their clubs will be keenly aware of the retaining and recruiting the required number of volunteers to ensure that players of all ages can continue to be involved and to play rugby.

The State of Volunteering in New Zealand 2017¹ report highlights a number of key challenges that all volunteer based organisation (including rugby unions and clubs) face. These key themes included:

- New Zealanders being time poor on account of their paid work commitments, late retirement and the myriad leisure activities that are preferable to volunteering;
- a lack of recognition of volunteers from within organisations, local community and Government;
- variability in volunteering participation by age cohort, with a particular concern about the ageing of volunteers and lack of young people engaging in volunteering; and
- funding issues that limit the support organisations can provide to volunteers.

Heartland unions - player registration movement



¹ Volunteering New Zealand. (2018). State of Volunteering in New Zealand 2017. Wellington: Volunteering New Zealand.

The engagement sequence



People at the heart of the game

Rugby is a community game and, at its heart, everything rugby unions and clubs do relates to people. People engage with rugby unions and clubs in a number of ways:

- **Players** – from the five year old being taught how to catch and pass the rugby ball, to the teenager learning tactical plays, to the master players playing the game they love, and the high performance athletes making the game their profession.
- **Volunteers and administrators** – includes those that coach, manage and transport the teams, paint the lines on the field, manage the bar, kitchen and cleaning of the changing rooms and clubrooms, set and manage the competition draws, referee the matches, develop the marketing and communications, manage the finances and carry out the back office functions, and provide training to other volunteers.
- **Supporters** – includes the family on the side-lines on a fresh Saturday morning, the devotees paying to watch their team play at the stadium, the

fans in the pub watching the game on the big screen with their friends, the supporters sitting in the comfort of their home watching the games on TV, and the corporate sponsor who wants to see its local team perform well.

While there are different ways people can interact with rugby, they are not mutually exclusive and people are likely to engage with the unions in more than one way. An example would be a father who coaches his daughter's Rippa Rugby team, still puts on the boots himself in the afternoon with his mates, and takes his family to watch their Mitre 10 Cup team play on the Saturday evening.

The challenge for unions – sustainability and growth

As not-for-profit organisations, in order to remain meaningful and viable, rugby unions require growth in participation of rugby players, volunteers and supporters. By increasing the number of people the unions engage with, there is a flow-on effect of growing revenue streams from sponsorship, advertising and broadcasting, as well as revenue from player registrations and fans attending professional games. However several factors including the growth of other sports and recreation activities, and increasing competition from the couch for fans watching live games is creating challenges for rugby unions across the country in attracting and retaining players, volunteers and supporters.

Changing the lens on how we serve the rugby community

People everywhere are expecting more from the products and services they receive, and the things they are involved in. Fans expect a more integrated and dynamic experience that is personalised to their own unique needs.

Players and coaches want access to more real-time analytics and development tools. Supporters want to be connected with their local teams on the go, and sponsors want to understand the impact their advertising has had on their brand.

To make a step-change in rugby participation and engagement, unions need to better understand what drives New Zealanders to play, volunteer for, or support rugby. Applying human-centric design methods to understand the end-to-end player, supporter or volunteer experience will allow unions to design a future experience that minimises frustrating moments, reduces effort, and ultimately increases enjoyment and participation in the sport.

Asking the right questions

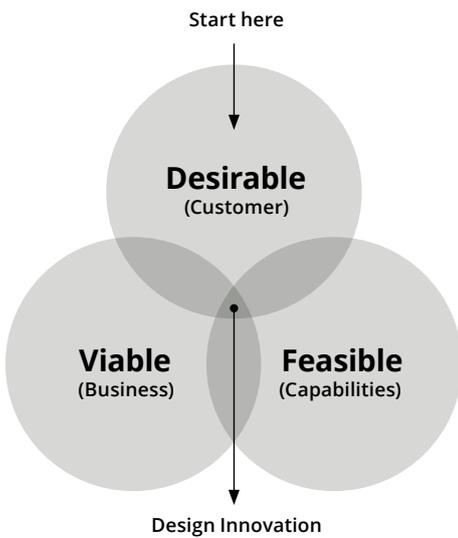
What are the alternatives players, supporters and volunteers have?

Other sports? Hobbies? Other activities?

What do supporters do for fun? Why do they find that fun? What are the key moments that make it fun? How could that be applied to rugby? At the live game? At home on the couch? At the local pub?

For example, how can we create moments of joy that can only be experienced at live games?

What is their connection to the team? To the role? What do they enjoy out of volunteering? What do they dislike? How could the union support better recognition of volunteers? What tools could better support volunteers?



Creating the ultimate rugby experience

Taking a human-centred design approach begins by understanding the preferences and behaviours of the people you are designing your solution for. The aim is to develop an experience that people want, not making people want what you have. There are three lenses to a human-centred design approach: Desirability (does the person want it?), feasibility (is it technically able to be done?), and viability (is it financially sustainable?). The approach seeks to find a balance between all three, with solutions emerging from the overlap of the three lenses. At Deloitte, we use the 4 D's approach to human-centric design: Discover, Define, Develop and Deliver, as outlined below:

- **Discover** – Understanding needs and desires with behavioural-led research such as a 'day in the life of' shadowing or ethnographic interviews.
- **Define** – Analysing and synthesising research from the Discover phase into actionable insights, including developing personas, developing journey maps and guiding principles. Identifying opportunities and aligning them with organisational objectives.
- **Develop and Deliver** – Design-led workshops and iterative concept testing to explore solutions, using collaborative design approaches, prototyping and user testing. This is followed by implementation of iterated concepts, services or experiences.





Connections are intertwined throughout rugby's environment. Understanding the different ways how the community wants to engage sets the platform to improve experiences.



Whether at the game or viewing on TV, sporting matches are sets of special moments and unique experiences that fans want to capture and share. Enabling this will increase the connection with the game.



Building a meaningful connection with supporters doesn't only happen at the game; focusing on all aspects of supporter interactions can lead to greater loyalty.



Rugby is a game of pivotal moments. By combining data and storytelling unions can improve the fans connection to the game and the players.

Employing a human-centered design approach... is essential for rugby unions to ensure that their engagement with the community is at the forefront of their activities.

Opportunities for designing a human-centred rugby experience

For example, Deloitte helped Cricket Australia design a unique and meaningful fan experience to drive several strategic benefits for Cricket Australia, including better fan enjoyment and greater atmosphere on broadcast.

A joint Cricket Australian and Deloitte team researched the cricket match experience from the perspective of cricket fans, non-cricket fans, venue staff and Cricket Australia employees to understand how to encourage new and repeating game attendance.

By understanding how fans and non-fans alike weigh up the pull factors (the barriers or concerns they have about the event) against the push factors (triggers and magnetism of the event), a map of the current fan experience was developed along with recommendations, concepts and initiatives to deliver improvements across key 'Moments to Master'.

'Moments to Master' are key aspects of a customer's journey that are identified as vital points in a customer's experience that impacts on their emotional connection with the product, service or environment. In the case of a fan attending a rugby match, periods of moments would include:

- Before the match (an awareness of the match, decision process to attend, pre-purchasing a ticket);
- The pre-match activities (planning the day, travelling to the venue, and arriving at the venue);
- At the match (experience in the stands, inside and outside of the stadium, watching the gameplay, food and beverage, entertainment, and the end of the game);
- Post-match (departing the venue, sharing memories with friends, planning for future events).

Employing a human-centered design approach to understand the push and pull factors, and undertaking in-depth research to identifying the 'Moments to Master' for improvements, relating to players, volunteers and supporters alike, is essential for rugby unions to ensure that their engagement with the community is at the forefront of their activities. A better understanding of their communities combined with a purposefully designed and meaningful engagement is a tangible way for rugby unions to tackle their dual challenges of sustainability and growth.

Consolidated financial information

Consolidated summary financial performance

A summary of the consolidated financial performance over the last five years is presented below.

| \$000 | | FY13 | FY14 | FY15 | FY16 | FY17 |
|--------------------------------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Summary Financial Performance | | | | | | |
| Revenue | | | | | | |
| | Match related income | 9,639 | 9,146 | 5,501 | 7,279 | 8,659 |
| | Grants and sponsorship | 46,878 | 47,013 | 48,766 | 55,387 | 54,322 |
| | Other revenues | 11,998 | 11,318 | 12,170 | 14,354 | 16,187 |
| | Total | 68,515 | 67,477 | 66,437 | 77,020 | 79,168 |
| Operating expenditure | | | | | | |
| | Team and match related costs | (30,344) | (31,061) | (31,784) | (33,332) | (34,753) |
| | Growing the game | (20,998) | (19,039) | (17,172) | (19,894) | (20,196) |
| | Administration | (13,657) | (15,774) | (18,147) | (19,008) | (19,643) |
| | Total | (64,999) | (65,874) | (67,103) | (72,234) | (74,592) |
| | Surplus before interest, depn & amort | 3,516 | 1,603 | (666) | 4,786 | 4,576 |
| | D&A& impairments | (1,670) | (1,763) | (1,468) | (1,410) | (1,199) |
| | Net interest | 1,384 | 1,331 | 717 | 154 | 549 |
| | Surplus before tax | 3,230 | 1,171 | (1,417) | 3,530 | 3,926 |
| | Tax | (22) | - | - | (25) | (125) |
| | Net surplus / (Deficit) | 3,208 | 1,171 | (1,417) | 3,505 | 3,801 |

Consolidated summary financial position

A summary of the consolidated financial position over the last five years is presented below.

| \$000 | | | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Summary Financial Position | | | | | |
| | FY13 | FY14 | FY15 | FY16 | FY17 |
| Current assets | | | | | |
| Cash | 11,406 | 11,798 | 7,831 | 10,883 | 13,431 |
| Receivables and prepayments | 7,391 | 7,607 | 6,324 | 8,638 | 6,498 |
| Inventories | 275 | 231 | 496 | 506 | 404 |
| Other current assets | 1,162 | 1,171 | 3,000 | 4,129 | 4,355 |
| Total | 20,234 | 20,807 | 17,651 | 24,156 | 24,688 |
| Non-current assets | | | | | |
| Investments | 12,907 | 12,911 | 11,410 | 12,891 | 14,264 |
| Property, plant and equipment | 13,782 | 14,702 | 19,647 | 18,597 | 19,169 |
| Other non-current assets | 1,130 | 1,384 | 2,349 | 1,144 | 892 |
| Total | 27,819 | 28,997 | 33,406 | 32,632 | 34,325 |
| Total assets | 48,053 | 49,804 | 51,057 | 56,788 | 59,013 |
| Current liabilities | | | | | |
| Overdrafts | 184 | 378 | 381 | 76 | 337 |
| Payables and accrued expenses | 9,688 | 10,507 | 8,489 | 10,751 | 8,482 |
| Short-term borrowings | 1,524 | 652 | 688 | 904 | 1,031 |
| Other current liabilities | 2,594 | 2,439 | 2,035 | 2,222 | 2,463 |
| Total | 13,990 | 13,976 | 11,593 | 13,953 | 12,313 |
| Non-current liabilities | | | | | |
| Long-term borrowings | 1,806 | 1,946 | 7,222 | 7,276 | 7,574 |
| Other non-current liabilities | 823 | 1,225 | 1,163 | 978 | 750 |
| Total | 2,629 | 3,171 | 8,385 | 8,254 | 8,324 |
| Equity | | | | | |
| Accumulated funds | 31,434 | 32,657 | 31,079 | 34,581 | 38,376 |
| Total liabilities and equity | 48,053 | 49,804 | 51,057 | 56,788 | 59,013 |
| Net working capital | 6,244 | 6,831 | 6,058 | 10,203 | 12,375 |

Summary financial performance by union for FY16 and FY17

| \$000 | | | | | | | | | | | | | | | | |
|--|-----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|--|
| For the 2016 Financial Year | | | | | | | | | | | | | | | | |
| Summary Financial Performance | Auckland | BOP | Canterbury | Counties Manukau | Hawke's Bay | Manawatu | North Harbour | Northland | Otago | Southland | Taranaki | Tasman | Waikato | Wellington | Total | |
| Revenue | | | | | | | | | | | | | | | | |
| Match related income | 1,451 | 625 | 1,037 | 233 | 281 | 128 | 227 | 372 | 629 | 446 | 366 | 351 | 418 | 715 | 7,279 | |
| Grants and sponsorship | 4,068 | 3,971 | 6,348 | 3,573 | 4,048 | 3,897 | 3,775 | 3,822 | 2,723 | 3,036 | 4,020 | 3,628 | 4,477 | 4,001 | 55,387 | |
| Other revenues | 6,821 | 590 | 1,621 | 329 | 362 | 177 | 171 | 523 | 209 | 72 | 259 | 195 | 776 | 2,249 | 14,354 | |
| Total | 12,340 | 5,186 | 9,006 | 4,135 | 4,691 | 4,202 | 4,173 | 4,717 | 3,561 | 3,554 | 4,645 | 4,174 | 5,671 | 6,965 | 77,020 | |
| Operating expenditure | | | | | | | | | | | | | | | | |
| Team and match related costs | (2,675) | (2,893) | (4,451) | (2,347) | (2,436) | (2,630) | (1,322) | (2,441) | (1,767) | (1,496) | (2,004) | (1,954) | (2,242) | (2,674) | (33,332) | |
| Growing the game | (4,164) | (1,020) | (2,936) | (735) | (1,736) | (905) | (499) | (1,440) | (944) | (351) | (346) | (1,348) | (1,853) | (1,617) | (19,894) | |
| Administration | (4,921) | (877) | (1,242) | (644) | (296) | (522) | (2,119) | (707) | (572) | (1,303) | (1,917) | (682) | (920) | (2,286) | (19,008) | |
| Total | (11,760) | (4,790) | (8,629) | (3,726) | (4,468) | (4,057) | (3,940) | (4,588) | (3,283) | (3,150) | (4,267) | (3,984) | (5,015) | (6,577) | (72,234) | |
| Surplus before interest, depn & amort | 580 | 396 | 377 | 409 | 223 | 145 | 233 | 129 | 278 | 404 | 378 | 190 | 656 | 388 | 4,786 | |
| D&A& impairments | (115) | (59) | (410) | (132) | (44) | (52) | (90) | (48) | (10) | (17) | (34) | (50) | (173) | (176) | (1,410) | |
| Net interest | 169 | 33 | 36 | (8) | 9 | - | 4 | (3) | - | (9) | - | - | (81) | 4 | 154 | |
| Surplus before tax | 634 | 370 | 3 | 269 | 188 | 93 | 147 | 78 | 268 | 378 | 344 | 140 | 402 | 216 | 3,530 | |
| Tax | - | - | - | - | - | - | - | - | - | - | - | - | - | (25) | (25) | |
| Net surplus / (Deficit) | 634 | 370 | 3 | 269 | 188 | 93 | 147 | 78 | 268 | 378 | 344 | 140 | 402 | 191 | 3,505 | |

| \$000 | | | | | | | | | | | | | | | | |
|--|-----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|--|
| For the 2017 Financial Year | | | | | | | | | | | | | | | | |
| Summary Financial Performance | Auckland | BOP | Canterbury | Counties Manukau | Hawke's Bay | Manawatu | North Harbour | Northland | Otago | Southland | Taranaki | Tasman | Waikato | Wellington | Total | |
| Revenue | | | | | | | | | | | | | | | | |
| Match related income | 3,172 | 707 | 953 | 173 | 319 | 96 | 284 | 499 | 505 | 366 | 384 | 205 | 276 | 720 | 8,659 | |
| Grants and sponsorship | 3,959 | 4,259 | 5,903 | 3,580 | 3,914 | 3,725 | 3,588 | 3,181 | 2,816 | 3,102 | 4,092 | 3,517 | 4,595 | 4,091 | 54,322 | |
| Other revenues | 8,221 | 846 | 1,539 | 366 | 28 | 130 | 455 | 659 | 138 | 87 | 450 | 197 | 818 | 2,253 | 16,187 | |
| Total | 15,352 | 5,812 | 8,395 | 4,119 | 4,261 | 3,951 | 4,327 | 4,339 | 3,459 | 3,555 | 4,926 | 3,919 | 5,689 | 7,064 | 79,168 | |
| Operating expenditure | | | | | | | | | | | | | | | | |
| Team and match related costs | (2,648) | (3,268) | (4,402) | (2,544) | (2,215) | (2,740) | (1,337) | (2,374) | (1,625) | (1,700) | (2,219) | (1,984) | (2,609) | (3,088) | (34,753) | |
| Growing the game | (4,389) | (1,376) | (2,919) | (890) | (1,724) | (670) | (502) | (1,411) | (1,119) | (324) | (366) | (1,269) | (1,566) | (1,671) | (20,196) | |
| Administration | (5,749) | (941) | (1,001) | (713) | (273) | (716) | (2,351) | (425) | (657) | (1,396) | (2,081) | (529) | (835) | (1,976) | (19,643) | |
| Total | (12,786) | (5,585) | (8,322) | (4,147) | (4,212) | (4,126) | (4,190) | (4,210) | (3,401) | (3,420) | (4,666) | (3,782) | (5,010) | (6,735) | (74,592) | |
| Surplus before interest, depn & amort | 2,566 | 227 | 73 | (28) | 49 | (175) | 137 | 129 | 58 | 135 | 260 | 137 | 679 | 329 | 4,576 | |
| D&A& impairments | (122) | (82) | (398) | (145) | (38) | (63) | (89) | (50) | - | (21) | (49) | (68) | (74) | - | (1,199) | |
| Net interest | 258 | 40 | 303 | (6) | 3 | - | 2 | (1) | - | (3) | 24 | - | (71) | - | 549 | |
| Surplus before tax | 2,702 | 185 | (22) | (179) | 14 | (238) | 50 | 78 | 58 | 111 | 235 | 69 | 534 | 329 | 3,926 | |
| Tax | - | - | - | - | - | - | - | - | - | - | - | - | - | (125) | (125) | |
| Net surplus / (Deficit) | 2,702 | 185 | (22) | (179) | 14 | (238) | 50 | 78 | 58 | 111 | 235 | 69 | 534 | 204 | 3,801 | |

Summary financial position by union for FY16

| \$000 | | | | | | | | | | | | | | | |
|---|---------------|--------------|---------------|------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| As at the end of 2016 Financial Year | | | | | | | | | | | | | | | |
| Summary Financial Position | Auckland | BOP | Canterbury | Counties Manukau | Hawke's Bay | Manawatu | North Harbour | Northland | Otago | Southland | Taranaki | Tasman | Waikato | Wellington | Total |
| Current assets | | | | | | | | | | | | | | | |
| Cash | 4,105 | 1,843 | 1,111 | 98 | 435 | 205 | 20 | 34 | 360 | 219 | 537 | 1,476 | 34 | 406 | 10,883 |
| Receivables and prepayments | 1,375 | 401 | 2,032 | 102 | 498 | 299 | 397 | 189 | 390 | 846 | 508 | 66 | 378 | 1,157 | 8,638 |
| Inventories | 101 | 66 | - | 42 | 28 | 8 | 5 | 66 | 169 | - | 15 | - | 6 | - | 506 |
| Other current assets | 3,457 | - | 175 | - | - | - | - | - | 492 | - | - | - | - | 5 | 4,129 |
| Total | 9,038 | 2,310 | 3,318 | 242 | 961 | 512 | 422 | 289 | 1,411 | 1,065 | 1,060 | 1,542 | 418 | 1,568 | 24,156 |
| Non-current assets | | | | | | | | | | | | | | | |
| Investments | 2,043 | 372 | 4,719 | 374 | 1 | - | 45 | 2,055 | - | 114 | 363 | 111 | 823 | 1,871 | 12,891 |
| Property, plant and equipment | 1,461 | 147 | 8,753 | 3,729 | 696 | 556 | 438 | 91 | 86 | 82 | 132 | 270 | 543 | 1,613 | 18,597 |
| Other non-current assets | 347 | - | - | - | 36 | - | 216 | - | - | - | - | - | 498 | 47 | 1,144 |
| Total | 3,851 | 519 | 13,472 | 4,103 | 733 | 556 | 699 | 2,146 | 86 | 196 | 495 | 381 | 1,864 | 3,531 | 32,632 |
| Total assets | 12,889 | 2,829 | 16,790 | 4,345 | 1,694 | 1,068 | 1,121 | 2,435 | 1,497 | 1,261 | 1,555 | 1,923 | 2,282 | 5,099 | 56,788 |
| Current liabilities | | | | | | | | | | | | | | | |
| Overdrafts | - | - | - | - | - | - | - | 76 | - | - | - | - | - | - | 76 |
| Payables and accrued expenses | 1,013 | 1,161 | 3,167 | 204 | 507 | 345 | 459 | 252 | 523 | 191 | 370 | 214 | 938 | 1,407 | 10,751 |
| Short-term borrowings | - | - | - | - | - | - | 30 | 11 | - | 83 | - | - | 780 | - | 904 |
| Other current liabilities | 1,172 | - | - | 74 | 33 | 195 | 95 | 22 | - | 22 | 67 | 195 | 247 | 100 | 2,222 |
| Total | 2,185 | 1,161 | 3,167 | 278 | 540 | 540 | 584 | 361 | 523 | 296 | 437 | 409 | 1,965 | 1,507 | 13,953 |
| Non-current liabilities | | | | | | | | | | | | | | | |
| Long-term borrowings | - | - | 5,945 | 162 | - | 50 | 102 | 84 | - | 125 | - | 33 | 775 | - | 7,276 |
| Other non-current liabilities | 150 | - | 500 | - | - | - | - | - | - | - | - | - | - | 328 | 978 |
| Total | 150 | - | 6,445 | 162 | - | 50 | 102 | 84 | - | 125 | - | 33 | 775 | 328 | 8,254 |
| Equity | | | | | | | | | | | | | | | |
| Accumulated funds | 10,554 | 1,668 | 7,178 | 3,905 | 1,154 | 478 | 435 | 1,990 | 974 | 840 | 1,118 | 1,481 | (458) | 3,264 | 34,581 |
| Total liabilities and equity | 12,889 | 2,829 | 16,790 | 4,345 | 1,694 | 1,068 | 1,121 | 2,435 | 1,497 | 1,261 | 1,555 | 1,923 | 2,282 | 5,099 | 56,788 |
| Net working capital | 6,853 | 1,149 | 151 | (36) | 421 | (28) | (162) | (72) | 888 | 769 | 623 | 1,133 | (1,547) | 61 | 10,203 |

Summary financial position by union for FY17

| \$'000 | | | | | | | | | | | | | | | |
|---|---------------|--------------|---------------|------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| As at the end of 2017 Financial Year | | | | | | | | | | | | | | | |
| Summary Financial Position | Auckland | BOP | Canterbury | Counties Manukau | Hawke's Bay | Manawatu | North Harbour | Northland | Otago | Southland | Taranaki | Tasman | Waikato | Wellington | Total |
| Current assets | | | | | | | | | | | | | | | |
| Cash | 8,188 | 394 | 542 | 281 | 263 | 2 | 455 | 167 | 425 | 256 | 675 | 1,495 | 97 | 191 | 13,431 |
| Receivables and prepayments | 727 | 287 | 1,830 | 48 | 592 | 109 | 79 | 46 | 178 | 796 | 611 | 73 | 288 | 834 | 6,498 |
| Inventories | 51 | 36 | - | 20 | 25 | 8 | 24 | 39 | 173 | - | 23 | - | 5 | - | 404 |
| Other current assets | 3,435 | 175 | 175 | 39 | - | - | - | - | 531 | - | - | - | - | - | 4,355 |
| Total | 12,401 | 892 | 2,547 | 388 | 880 | 119 | 558 | 252 | 1,307 | 1,052 | 1,309 | 1,568 | 390 | 1,025 | 24,688 |
| Non-current assets | | | | | | | | | | | | | | | |
| Investments | 2,174 | 1,036 | 4,772 | 363 | 1 | - | 349 | 2,055 | - | 127 | 347 | 111 | 931 | 1,998 | 14,264 |
| Property, plant and equipment | 585 | 1,927 | 8,534 | 3,658 | 688 | 944 | 73 | 84 | 151 | 94 | 191 | 244 | 480 | 1,516 | 19,169 |
| Other non-current assets | - | - | - | - | 25 | - | 377 | - | - | 5 | - | - | 454 | 31 | 892 |
| Total | 2,759 | 2,963 | 13,306 | 4,021 | 714 | 944 | 799 | 2,139 | 151 | 226 | 538 | 355 | 1,865 | 3,545 | 34,325 |
| Total assets | 15,160 | 3,855 | 15,853 | 4,409 | 1,594 | 1,063 | 1,357 | 2,391 | 1,458 | 1,278 | 1,847 | 1,923 | 2,255 | 4,570 | 59,013 |
| Current liabilities | | | | | | | | | | | | | | | |
| Overdrafts | - | - | - | - | - | 337 | - | - | - | - | - | - | - | - | 337 |
| Payables and accrued expenses | 1,006 | 1,128 | 2,223 | 219 | 407 | 201 | 383 | 203 | 419 | 203 | 448 | 188 | 652 | 802 | 8,482 |
| Short-term borrowings | - | - | - | - | - | - | 32 | 8 | - | 83 | - | - | 908 | - | 1,031 |
| Other current liabilities | 798 | - | - | 303 | 18 | 235 | 387 | 46 | 6 | - | 45 | 152 | 373 | 100 | 2,463 |
| Total | 1,804 | 1,128 | 2,223 | 522 | 425 | 773 | 802 | 257 | 425 | 286 | 493 | 340 | 1,933 | 902 | 12,313 |
| Non-current liabilities | | | | | | | | | | | | | | | |
| Long-term borrowings | - | 875 | 6,029 | 162 | - | 50 | 70 | 66 | - | 42 | - | 33 | 247 | - | 7,574 |
| Other non-current liabilities | 100 | - | 450 | - | - | - | - | - | - | - | - | - | - | 200 | 750 |
| Total | 100 | 875 | 6,479 | 162 | - | 50 | 70 | 66 | - | 42 | - | 33 | 247 | 200 | 8,324 |
| Equity | | | | | | | | | | | | | | | |
| Accumulated funds | 13,256 | 1,852 | 7,151 | 3,725 | 1,169 | 240 | 485 | 2,068 | 1,033 | 950 | 1,354 | 1,550 | 75 | 3,468 | 38,376 |
| Total liabilities and equity | 15,160 | 3,855 | 15,853 | 4,409 | 1,594 | 1,063 | 1,357 | 2,391 | 1,458 | 1,278 | 1,847 | 1,923 | 2,255 | 4,570 | 59,013 |
| Net working capital | 10,597 | (236) | 324 | (134) | 455 | (654) | (244) | (5) | 882 | 766 | 816 | 1,228 | (1,543) | 123 | 12,375 |

About this publication

Information

The financial data presented in this report is compiled from data contained in the annual financial statements of each rugby union for the financial years ended 2007 to 2017. The annual reports for each union were obtained from either the register of incorporated societies and/or directly from the rugby union.

The financial years for each union differ, ending at the close of October, November or December. Despite the timing difference, reported results have been added together to produce consolidated information. This timing difference is not expected to cause materially misleading results or conclusions.

The financial statements of each union classify elements of revenues, operating expenses, assets, liabilities and equity differently. The information presented in this analysis has been reclassified and grouped to provide data for a meaningful comparison.

The Auckland Rugby Football Union has a controlling interest in the gaming operator The North and South Trust. Expenditure consolidated through its controlling interest in The North and South Trust has been reclassified within revenue to produce a "net gaming" result which is more similar to the net proceeds received by the other unions from similar trusts without a controlling interest.

Prior to FY16, the Tasman Rugby Football Union did not disclose sufficient information to determine a breakdown of operating expenses between team and match related costs and development costs associated with growing the game. In order to avoid any significant distortions, expenditure has been allocated to these two categories based on the average proportion spent on these respective components by other unions.

In the 2012 financial year the Otago Rugby Football Union received \$2,167,509 of income arising from financial restructure. The numbers used in the financial analysis have been adjusted, taking out this amount to provide a meaningful comparison.

In the 2013 financial year the Canterbury Rugby Football Union acquired a 60% shareholding in the company granted the licence to run the Crusaders and their accounts reflected the combined results of both the Super Rugby and Mitre 10 Cup rugby teams. Some income items have been adjusted to reflect the amounts of Canterbury Rugby Football Union income as stated in the annual report. The main components of expenses have been adjusted based on prior year figures or where information has been given in the union's annual report. The Canterbury Rugby Football Union and Crusaders (GP) Limited detail of revenue and expenditure are not disclosed, therefore the adjustments made by us reflect the amounts stated in the report and our assumptions of expenditure for comparative purposes. This is not a reflection of the individual entities performance. The Group Statement of Financial Position has been used in the report for comparison of balance sheet items. In the 2016 financial year, Canterbury Rugby Football Union determined that Crusaders Limited Partnership no longer meet the definition of being under the control of Canterbury Rugby Football Union and hence the balances of Crusaders Limited Partnership were not consolidated in its FY16 accounts. FY15 figures have been adjusted in our analysis in order to provide a basis for comparison with current year figures.

In the 2017 financial year North Harbour have reclassified the representation of the joint venture revenue and expenses after recognising their share of their investment

in the Blues franchise as an associate on the basis of significant influence. In FY16 the revenue and expenses were reporting in a consolidated basis. In FY17 only the net result for the joint venture was disclose. For the purpose of our analysis we have reclassified FY16 to match the presentation of the FY17 annual report.

Wanganui Rugby Football Union Inc. resolved to change its balance date from 31 October to 31 December. The figures used in the report are based on the 31 December 2015 financial year incorporating 14 months of trading.

Manawatu Rugby Union Incorporated resolved to change its balance date from 30 November to 31 December. The figures used in the report are based on the 31 December 2016 financial year incorporating 13 months of trading.

South Canterbury Rugby Union and West Coast Rugby Football Union both resolved to change their balance date from 31 October to 31 December. The figures used in the report are based on the 31 December 2017 financial year incorporating 14 months of trading.

Player registration figures have been provided by New Zealand Rugby.

Statistics for social media have been derived from public information and internet searches. Newspaper articles and media searches have been also derived from publically available information.

While all due care has been taken to make the data as comparable as possible, some inconsistency may still exist and/or other parties may have presented the data differently.

Our people

Deloitte

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Not-for-profits & social enterprises

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Outsourced finance function

Bookkeeping, payroll and secondments are just some of the ways we can assist your day-to-day operations to keep your business functioning at its best.

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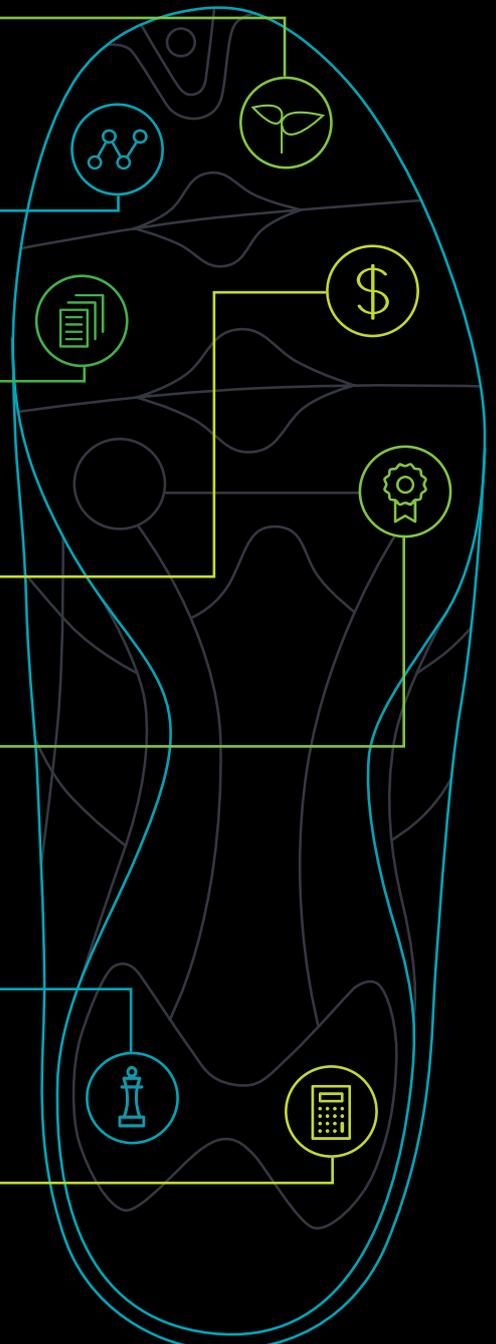
The key to a successful business is not only to rely on having innovative products and good business strategies but also on day-to-day operations. If daily operations are not efficient and effective then customers will be dissatisfied, profits will erode and money will be wasted on inefficient processes.

Corporate strategy

Whether it's pursuing growth, delivering innovation, driving efficiencies or improving profitability, companies need strategies they can implement and deliver to drive successful outcomes.

Strategic cost management

You are pursuing ways to operate more efficiently and effectively, not only due to deteriorating market conditions and pressure from stakeholders, but also to the need to satisfy ever-increasing customer expectations with improved service.



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