CONTENTS

SARU Sponsors 2
President’s Message 4
CEO’s Report 8
Integrated Report 12
Audit & Risk Committee 36
Operations & Finance 42
Financial Statements 44
Rugby Department 104
Strategic Performance Management 114
Commercial 122
Communications 130
Human Resources 136

All pictures courtesy of Gallo Images (www.galloimages.co.za)
Design: Ryan Manning
SA RUGBY SPONSORS IN 2018

SPRINGBOK SPONSORS

SPRINGBOK SEVENS SPONSORS

SA RUGBY REFEREES SPONSORS

ASSOCIATE SPONSORS

OFFICIAL SUPPLIERS

TOURNAMENT SPONSORS
Pieter-Steph du Toit was named SA Rugby’s Player of the Year for 2018.
PRESIDENT’S REPORT

After SA Rugby’s perfect storm of 2016 (failing the government transformation targets, 25 Springboks retiring or plying their trade abroad, four Springbok captains retiring, poor Springbok performances, sponsors withdrawing from SA Rugby, poor corporate investor confidence and the President resigning), we knew that it would take three to four years to turn our organisation around in a structured process, and that it would not be an easy task.

At the end of 2016, we embarked on a turnaround strategy to get our organisation back on track, and we now have to continue to deliver that strategy. We knew this would not be a quick-fix, but a committed strategic process.

We introduced major austerity measures throughout the organisation when we faced severe cash-flow shortages. The organisation is trying to sustain a large professional player base – which cannot continue. This led to the introduction of the new contracts model for professional rugby players, which is a far more sustainable model for our organisation.

But we are pleased that we have now completed our third year in this process having made a small profit.

Having reached this positive equity position through taking extreme and difficult measures, we must undertake to do everything in our power as an organisation never again to allow SA Rugby to land itself in this self-inflicted and disastrous position.

Entering the fourth year of the cycle, we find that the rugby economy and the sponsorship market are under intense pressure and are no longer big enough to support all the activities that we and our members engage in. This has led to the scaling down and cancellation of events and activities across the board to accommodate a new reality. Our expenses have increased while revenue has remained flat. Once again we have had to realign the organisation to meet our operational and economic requirements, and we have introduced a new distribution model.

Spectator numbers have been in decline over time as we compete with so many other social activities available for families. To address this we are currently building a new database to give our spectators better access to content and to engage with us on a more regular basis as part of our fan engagement strategy.
engagement strategy. Furthermore we are revamping our game day presentation to provide a richer Test match experience for our supporters.

The international landscape is going through a major disruption. This process is going to happen to our sport with or without our willingness to change. Unfortunately this new disruption happens. Disruptive innovation is innovation that creates new markets and value networks and eventually disrupts those existing markets and networks. We need to embrace the next phase of the evolution of our game.

Commercial right bidders and competition equity players have entered the rugby sphere making offers for rugby competitions and commercial rights which will change the landscape forever on a global scale. We as an organisation need to prepare ourselves to meet the disruptors head on.

Another strong area of focus remains transformation, which is a strategic imperative for SA Rugby. In May we welcomed the successful achievement of our targets in the report of the Eminent Persons Group on Transformation in Sport (EPG). We showed a 17 per cent improvement to achieve 60 per cent of the targets agreed on with the Department of Sport and Recreation and the SA Sports Confederation and Olympic Committee (SASCOC).

The EPG sets a minimum target of 50 per cent achievement as the measure of successful compliance. We were proud that rugby was the top performing federation of the five sports that participated in the pilot project. We worked hard to achieve our targets and we remain in sight of delivering our targets in the five-year Strategic Transformation Plan launched in 2015. We know that rugby’s survival as a sport is more than a numbers game and that to be relevant in 2030, we must embrace this process.

Reviewing the shop window for rugby, which is based on Springbok performance, we note that objectively results were modest with a winning ratio of 50 per cent. However, the subjective view of the year was much more encouraging. Rassie Erasmus, director of rugby, assumed the head coach responsibilities and led the team to become the first nation to win in New Zealand in nine years. If a narrow home defeat by New Zealand and an away one to England had been reversed it would have been regarded as a stellar year.
Notwithstanding those losses, the progress was such that Erasmus was nominated as one of three international coaches of the year by World Rugby.

The progress made by the team was also reflected in the fact that two Springboks – Malcolm Marx and Faf de Klerk – were among the five nominees for player of the year (eventually won by Ireland’s Johnny Sexton) while debutant wing Aphiwe Dyantyi scooped the World Rugby Breakthrough Player of the Year Award. The 24-year-old Dyantyi became the first South African to win this prestigious award for players in their debut international season. The speedy Bok wing marked his Test debut with a try against England in June and started in 13 of South Africa’s 14 Tests in 2018, scoring six tries, including braces against Argentina and in the win over New Zealand in Wellington.

Elsewhere the Springbok Sevens team retained the HSBC World Sevens Series title in a dramatic finale to the 10-event series. In the final match of the Series, they beat England in the Paris final to overhaul Series leaders, Fiji, by two points on the final log. There was, too, a bronze medal at the Rugby World Cup Sevens in San Francisco, although retention of the Commonwealth Games title eluded the team, which finished fourth on Australia’s Gold Coast.

Coach Neil Powell, his management and players, deserve great credit for their achievement in a year in which many of the ‘old guard’ began to move on to XVs or towards retirement.

Congratulations too are due to the Cell C Sharks for claiming the Currie Cup title, presented by Direct Axis and Nashua, as well as the other domestic competition winners: Currie Cup First Division (SWD Eagles); SuperSport Rugby Challenge (iCOLLEGE Pumas); SA Rugby U21 Championship (Xerox Golden Lions); SA Rugby Under-20 Championship (Down Touch Griffons); SA Rugby U19 Championship (Cell C Sharks) and Women’s Inter-Provincial Champions (Western Province).

The Emirates Lions retained their title as SA Conference winners in Vodacom Super Rugby and reached the overall final for the third successive year but fell short, going down to the Crusaders in Christchurch despite dominating possession and territory.

The year also marked the centenary of the birth of the father of our nation, the late Nelson Rolihlahla Mandela, and rugby chose to mark the year in several ways. We dedicated the Port Elizabeth test against Australia at the Nelson Mandela Bay Stadium as the Centenary Test and the Sevens team wore a Madiba-inspired jersey at the HSBC Cape Town Sevens, among other activities.

The anniversary reminded us of the power of sport and its ability in South Africa to draw together our very different strands of experience and expectation, which remains central to the successful progress of rugby.

The countless volunteers, administrators and referees who keep the game going at grassroots level for the sheer love of it deserve an organisation dedicated to the success of our sport in a changing commercial and global landscape.

Our leadership is committed to that.

Mark Alexander
President
South African Rugby Union
Running a sports federation with both amateur and professional needs against South Africa’s complex landscape and in the current global economy produces an almost hourly changing cast of disparate challenges. But, when it comes down to it, our business is measured on three things: Are we making money? Are we winning? And are we transforming?

WE ARE MAKING MONEY – receipts in 2018 were as high as they have ever been at R1.2bn. We are transforming – our first black Springbok captain was the tip of a broadening pyramid of emerging talent. But we didn’t win as we’d like in 2018 – despite the fact that our Springbok Sevens team retained the HSBC World Series title and our XV-a-side coach and three of his players were nominated for World Rugby awards.

But those broad brushstrokes barely begin to tell the story of another dynamic year for SA Rugby with myriad moving parts and their attendant challenges and opportunities.

For instance, although SA Rugby has sizable receipts, we also have considerable commitments in order to honour our constitutional mandate to develop and promote the game at all levels in South Africa. The president has described the challenges faced by our members in an age of belt-tightening in business across the board in South Africa, which also saw a number of SA Rugby activities scaled down or ceased.

However, corporate sentiment towards the game continued to be restored after the doldrums of 2016 with a number of current partners and newcomers aligning their brands to that of rugby. Our apparel partner, ASICS, renewed their association for a further five years to 2024 while other existing partners, SAB (now part of the ABInBev family) and FNB extended their associations.

SAB leapt into the breach left following the withdrawal of Steinhoff as exclusive partner to the Springbok Sevens team to become the principal sponsor of the men’s and women’s teams as well as the Academy team, under the banner of their recently launched Castle Free brand.

FNB were not far behind them, joining the teams as an associate sponsor and placing their famous logo in the same space it occupies on the Springbok jersey, just below the collar on the rear.

Joining them as partners in 2018 were three companies with global footprints, new to South African rugby in AON, Accenture and Dell. Each of them came with enthusiasm and an eye for an opportunity in an unoccupied area of our portfolio and their association and expectations of best practice produced exciting synergies for our business.

AON, the global professional services firm providing risk, retirement and health solu-
tions with 50,000 employees in 120 countries, became the first sponsors of the Under-18 International Series. Dell not only became the official IT equipment partner of SA Rugby and the Springboks but shared their passion for education and corporate social investment with us by partnering in the first digital Boks for Books library, a Solar Powered Learning Lab, which was launched by the Dell Development Fund in Soweto.

And Accenture embarked on an exciting journey with us, as we began to build a new digital platform as the first step to the creation of an entirely new fan engagement strategy for the business. Accenture called on their global resources and experience to lead us in the process with the new platform going live in 2019.

The evolving world of digital transformation and disruptive technologies continued to challenge the business in 2018 with both internal desires to become part of the future and the threat and promise of external forces to change our world for us. That was not experienced more keenly anywhere than in the area of broadcasting where the growth of global streaming companies (Netflix and Amazon) and the broadcasting capacity of social media platforms (such as Facebook and Twitter) raised questions as to the future direction of sports broadcasting.

SA Rugby’s financial model has been built on broadcast rights, supplemented by sponsorship, and our partnership with SuperSport remains the bedrock on which our business sits. The disruption to the media consumption market that they have experienced has the potential to have a knock-on effect on rugby, complicated by potential changes to the regulatory landscape.

The Independent Communications Authority of South Africa (ICASA) held public hearings into the sports broadcasting regulations at which SA Rugby presented. The motivation was to examine the implications of making more sport available to free-to-air television viewers. The removal of the exclusivity that subscription broadcasters currently enjoy to some sporting events has the potential to have a major impact on SA Rugby’s revenues. It is a challenge to which we will paying close attention in 2019 at a time when broadcast rights negotiations reach a critical stage.

The Toyota Cheetahs and Southern Kings completed their first seasons in the Guinness PRO14 as our investment in north-south rugby continued to unfold. The Kings benefitted from the exposure in that Isuzu South Africa came on board as a first naming rights partner for the franchise, while a local consortium of business interests set about acquiring a controlling interest in the franchise.
Things were less complicated on the field and there were positive developments in elite player and women’s rugby development. Former SA Schools stars Salmaan Moerat, Muller Uys, Nkosikhona Masuku and Rikus Pretorius were among the first intake of top young stars inducted into the SA Rugby Academy at the Stellenbosch Academy of Sport (SAS), who became the official partner to the new initiative. Thirty of the best U19 and U20 players from around the country formed part of the Academy in 2018, basing themselves at SAS for four months before returning to their provinces for the season.

As part of the programme, coaches from the Springbok team, Junior Springboks and the Springbok Sevens, as well as SAS, worked with the players on rugby aspects although the programme has a wider holistic aim of dovetailing high performance sport and education. The players receive world-class guidance in becoming top professional rugby players while studying courses at a number of tertiary institutions across the country.

Similarly 2018 was a watershed year for women’s rugby with the national XV-a-side team returning to international action. An SA Select team had toured at the end of 2017 as a precursor to a four-match tour which included three tests. Although all three were lost (19-5 against Wales in Cardiff, 17-5 against Spain in Villajoyosa and 35-10 against Italy in Prato), the tour marked the team’s first fully-fledged international rugby since the 2014 Women’s Rugby World Cup.

Rugby is the fastest growing women sport in the world and is a priority for World Rugby while women’s sport in general is a nation priority in SA. However the game in South Africa remains very much in a developmental phase – compared to the majority of our Tier One colleagues – and growing the depth from which to select will be key to success in the future. Hence the continued existence of regional YTCs for young girls (Youth Training Centres) remains central to that process. Border Under-18s and Western Province U16s both successfully defended their YTC Festival titles in 2018.

The future of club rugby also remains under discussion. The Gold Cup (first introduced as the Community Cup) has done much to reinvigorate the recreational game and plans were put in place in 2018 that we believe will give the revival of club rugby another boost in 2019.

A pilot project for a pioneering amateur provincial competition – a joint initiative between SA Rugby and the SWD Rugby Football Union – will be trialled in the southern Cape. The best club players in SWD will be given the opportunity to represent their municipal regions in an eight-team tournament that will take place across the length and breadth of the Garden Route (formerly Eden) and Central Karoo Districts.

There were changes at the top level too when we agreed to part ways with Springbok coach Allister Coetzee in February after a mutually disappointing two years. Rassie Erasmus, Director of Rugby, assumed the responsibility for Springbok performance and made a number of changes to the Springbok management team, including the recall of Mzwandile Stick and Jacques Nienaber and the appointment of a new strength and conditioning coach in Aled Walters.

One of the approaches taken by the Director of Rugby was to forge closer links with the franchises, inviting their coaches to ‘alignment camps’ and adding one of them, Swys de Bruin (Emirates Lions coach), to the Springbok management. That relationship was extended into the 2019 season with all national coaches deployed at some stage to the four Vodacom Super Rugby teams to offer additional support.

It was also gratifying for SA Rugby that our president, Mr. Mark Alexander, was elected to the Executive Committee of World Rugby late in the year. It is the first time SA Rugby has had a representative on the game’s highest council since the resignation of Mr. Hoskins as president of SARU in 2016. Meanwhile World Rugby recognised the success of the HSBC Cape Town Sevens by accepting our tender to host a further four years of the World Rugby Sevens Series in the City.

Jurie Roux  
Chief Executive Officer  
South African Rugby Union
Tendai Mtawarira became the sixth Springbok to reach 100 Tests for South Africa, against England in Bloemfontein.
INTEGRATED REPORT

PREAMBLE:
SARU is an incorporated association of persons with perpetual succession and juristic personality and the national controlling body and custodian of rugby in South Africa. SARU’s governance structure is set out in its Constitution.

GOVERNANCE
The relevant provisions set out in Section 8 of the SARU Constitution provide as follows:

8.1 SARU’s business and activities are overseen by the general meeting, which has the ultimate authority in respect of, and responsibility for, its affairs.

8.3 Subject to the constitution, all of SARU’s affairs shall be governed by the Executive Council, which may exercise all such powers and perform all such functions which are not required by the constitution to be performed by the general meeting. The general meeting retains the authority to exercise such powers and perform such functions if the Executive Council is, for whatever reason, unwilling or unable to do so.

8.4 The Executive Council shall determine a policy framework for, and oversee SARU’s governance and exercise the powers and perform the functions necessary to achieve and promote SARU’s main and ancillary objects.

8.7 The provisions in the Act and the rules of the common law which govern the powers and functions of members of the board of directors of a public company, the relationship between such directors and such company, whether fiduciary or otherwise, as well as the personal liability, criminal or delictual, of such members flowing from fraudulent or negligent acts or omissions in relation to such members’ aforesaid powers and functions, apply mutatis mutandis, and to the extent that it is consistent with SARU’s status, to the members of the Executive Council as if SARU were a public company.

8.8 The principles and the best practice recommendations set out in the Code of Governance Principles for South Africa - 2009 King III, as augmented and amended from time to time, shall apply as a guideline to the governance of SARU.
## GOVERNANCE STRUCTURES

### 1. MEMBERS OF THE EXECUTIVE COUNCIL

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>DATE OF APPOINTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Executive Members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mark Alexander</td>
<td>President</td>
<td>Elected 6 April 2018</td>
</tr>
<tr>
<td>Francois Davids</td>
<td>Deputy President</td>
<td>Elected 6 April 2018</td>
</tr>
<tr>
<td>Lindsay Mould</td>
<td>Union representative</td>
<td>Elected 6 April 2018</td>
</tr>
<tr>
<td>Pat Kuhn</td>
<td>Union representative</td>
<td>Elected March 2016</td>
</tr>
<tr>
<td>Hein Mentz</td>
<td>Union representative</td>
<td>Elected March 2016</td>
</tr>
<tr>
<td>Tobie Titus</td>
<td>Union representative</td>
<td>Elected March 2016</td>
</tr>
<tr>
<td>Ilhaam Groenewald</td>
<td>Independent Member</td>
<td>Elected 6 April 2018</td>
</tr>
<tr>
<td>Monde Tabata</td>
<td>Independent Member</td>
<td>Elected March 2016</td>
</tr>
<tr>
<td>Louis von Zeuner</td>
<td>Independent Member</td>
<td>Appointed May 2017</td>
</tr>
<tr>
<td><strong>Executive Members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jurie Roux</td>
<td>CEO</td>
<td>Appointed 1 October 2010</td>
</tr>
<tr>
<td>Abubakar Saban</td>
<td>CFO</td>
<td>Appointed 1 October 2010</td>
</tr>
<tr>
<td>Vanessa Doble</td>
<td>Company Secretary</td>
<td>Appointed 1 October 2010</td>
</tr>
<tr>
<td><strong>Review</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Louis von Zeuner</td>
<td>Independent Member</td>
<td>Co-opted October 2017</td>
</tr>
<tr>
<td>Ilhaam Groenewald</td>
<td>Independent Member</td>
<td>Reappointed 2017</td>
</tr>
<tr>
<td>Monde Tabata</td>
<td>Independent Member</td>
<td>Reappointed 2017</td>
</tr>
</tbody>
</table>
2. SARU SUB-COMMITTEES

**AUDIT & RISK COMMITTEE**

- **Position**
  - Chairman: Sam Ngumeni
  - Exco Member: Louis von Zeuner
  - Independent: Professor Edna van Harte
  - Independent: Sinoxolo Jodwana
  - Independent: Raymond Fenner

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Sesi naMrhali Skhosana
  - Vanessa Doble
  - Brendan Deegan
  - Asanda Majola
  - Ashley Smith
  - Gareth Farrell

- **CEO**
  - Vanesa Doble

- **CFO**
  - Brendan Deegan

- **External Auditor - PWC**
  - Asanda Majola

- **Internal Auditor - KPMG**
  - Ashley Smith

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Professor Edna van Harte**
  - Independent: Louis von Zeuner
  - Independent: Sinoxolo Jodwana
  - Independent: Raymond Fenner

- **Jurie Roux**
  - Exco Member: Louis von Zeuner
  - Exco Member: Francois Davids
  - Exco Member: Hein Mentz

- **Independent: Louis von Zeuner**

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Sesi naMrhali Skhosana
  - Vanessa Doble
  - Brendan Deegan
  - Asanda Majola
  - Ashley Smith
  - Gareth Farrell

- **Vanessa Doble**
  - Company Secretary

**HUMAN RESOURCES & REMUNERATION COMMITTEE**

- **Position**
  - Chairman: Monde Tabata
  - Independent: Victor Christian
  - Independent: Jonathan Goldberg
  - Independent: Nadia Mason

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Ingrid Mangcu
  - Vanessa Doble

- **CEO**
  - Ingrid Mangcu

- **CFO**
  - Monde Tabata

- **GM: HR**
  - Jonathan Goldberg

- **Company Secretary**
  - Nadia Mason

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Ingrid Mangcu
  - Vanessa Doble

- **Vanessa Doble**
  - Company Secretary

**FINANCE COMMITTEE**

- **Position**
  - Chairman: Louis von Zeuner
  - Exco Member: Francois Davids
  - Exco Member: Monde Tabata
  - Exco Member: Hein Mentz

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Ingrid Mangcu
  - Vanessa Doble

- **CEO**
  - Louis von Zeuner

- **CFO**
  - Francois Davids

- **GM: HR**
  - Monde Tabata

- **Company Secretary**
  - Nadia Mason

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Invited Members**
  - Jurie Roux
  - Abubakar Saban
  - Ingrid Mangcu
  - Vanessa Doble

- **Vanessa Doble**
  - Company Secretary

**NATIONAL JUDICIAL COMMITTEE**

- **Position**
  - Chairman: Judge Lex Mpati
  - Exco Member: Adv Jannie Lubbe
  - Exco Member: Peter Ingwersen
  - Exco Member: Deker Govender

- **Invited Members**
  - Christo Ferreira
  - Vanessa Doble

- **CEO**
  - Louis von Zeuner

- **CFO**
  - Monde Tabata

- **Company Secretary**
  - Nadia Mason

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

**FRANCHISE COMMITTEE**

- **Position**
  - President: Mark Alexander
  - Deputy President: Francois Davids

- **Invited Members**
  - All 8 Franchise Representatives

**NON-FRANCHISE COMMITTEE**

- **Position**
  - Chairman: Mark Alexander
  - Exco Member: Francois Davids
  - Exco Member: Lindsay Mouled
  - Exco Member: Tobie Titus
  - Exco Member: All 14 Union Representatives

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

- **CEO**
  - Louis von Zeuner

- **CFO**
  - Monde Tabata

- **GM: HR**
  - Hein Mentz

- **Company Secretary**
  - Nadia Mason

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

**TRANSFORMATION COMMITTEE**

- **Position**
  - Chair: Ilhaam Groenewald
  - Exco Member: Tobie Titus
  - Exco Member: Lindsey Mould
  - Exco Member: All 14 Union Presidents
  - Exco Member: Jurie Roux
  - Exco Member: Ian Schwartz

- **Invited Members**
  - Vanessa Doble
  - Samantha McDonald
  - Morne Norrier
  - Khaya Mayedwa

- **CEO**
  - Louis von Zeuner

- **CFO**
  - Monde Tabata

- **Company Secretary**
  - Nadia Mason

- **Jurie Roux**
  - CEO: Louis von Zeuner
  - CFO: Monde Tabata

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

**CONSTITUTIONAL COMMITTEE**

- **Position**
  - Chair: Ilhaam Groenewald
  - Exco Member: Francois Davids
  - Exco Member: James Stoffberg
  - Exco Member: Hein Mentz
  - Exco Member: Hennie Baartman

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

**TRANSFORMATION COMMITTEE**

- **Position**
  - Chair: Morne Norrier
  - Exco Member: Khaya Mayedwa
  - Exco Member: Vanessa Doble

**NATIONAL WOMEN’S COMMITTEE**

- **Position**
  - Chair: Patrick Kuhn
  - Exco Member: Ilhaam Groenewald
  - Exco Member: Zilungile Ntombela
  - Exco Member: Siphokazi Njeni

- **Invited Members**
  - Mahlubi Puzi
  - Vanessa Doble

**NATIONAL JUDICIAL COMMITTEE**

- **Position**
  - Chair: Judge Lex Mpati
  - Exco Member: Adv Jannie Lubbe
  - Exco Member: Peter Ingwersen

- **Invited Members**
  - Christo Ferreira
  - Vanessa Doble

**FRANCHISE COMMITTEE**

- **Position**
  - President: Mark Alexander
  - Deputy President: Francois Davids

- **Invited Members**
  - All 8 Franchise Representatives

**NON-FRANCHISE COMMITTEE**

- **Position**
  - Chair: Louis von Zeuner
  - Exco Member: Monde Tabata
  - Exco Member: Hein Mentz
  - Exco Member: Louis von Zeuner

- **Invited Members**
  - Jurie Roux
  - Vanessa Doble

**TRANSFORMATION COMMITTEE**

- **Position**
  - Chair: Ilhaam Groenewald
  - Exco Member: Tobie Titus
  - Exco Member: Lindsey Mould
  - Exco Member: All 14 Union Presidents
  - Exco Member: Jurie Roux
  - Exco Member: Ian Schwartz

- **Invited Members**
  - Vanessa Doble
  - Samantha McDonald
  - Morne Norrier
  - Khaya Mayedwa

**NATIONAL WOMEN’S COMMITTEE**

- **Position**
  - Chair: Patrick Kuhn
  - Exco Member: Ilhaam Groenewald
  - Exco Member: Zilungile Ntombela

- **Invited Members**
  - Mahlubi Puzi
  - Vanessa Doble
COMPANY SECRETARY & CFO
Ms. Vanessa Doble and Mr. Abubakar Saban continued to occupy their respective positions in 2018.

CERTIFICATE OF THE COMPANY SECRETARY
In my capacity as company secretary I hereby confirm that for the year ended 31 December 2018, all governance structures operated as required by the union’s constitution, and that the minutes of all General Meetings, Executive Council and sub-committee meetings have been kept for record purposes.

OUR VISION
SARU’s vision is:
To be the leading rugby nation by providing:

- Well governed, world class, innovative sporting entertainment; and
- Sustainability through high performing people, processes and systems

SARU comprises nine (9) provincial members made up of 14 constituent unions’ members with Limpopo participating as a non-voting member (because of the current absence of an affiliated union). Members designate two persons from their constituent unions to represent them at general meetings. SARU also took over administration of the Border Rugby Union. The Franchise and Non-Franchise committees created in 2016 to focus on key issues of collective sustainability and development within the professional and semi-professional unions respectively, held six (7) meetings in 2018. These committees provided renewed focus on developing professional and semi-professional rugby. While the Franchise committee focused significant effort on developing a new contracting model, and understanding the future landscape, the Non-Franchise committee focused its efforts on strengthening and supporting developmental areas of the game.

SARU also had strengthened the oversight of independent members on the Executive Council through the appointment /reappointment of four representative on the Executive Council. SARU amended its constitution to provide that all statutory committees are chaired by the independent members of the Executive Council including the Audit and Risk Committee, HR and Remuneration Committee and Social and Ethics Committee. The Social and Ethics Committee was merged with the Human Resources and Remunerations Committee given the overlap in key areas of focus and reporting.

SARU amended its constitution to provide that all statutory committees are chaired by the independent members of the Executive Council including the Audit and Risk Committee, HR and Remuneration Committee and Social and Ethics Committee.

In 2017 SARU increased the participation of private equity in the commercial arms of unions to a maximum of 74% to ensure continued financial sustainability in the unions. Only one consent application was submitted in 2018, however, the transaction was not concluded in the financial year. SARU disposed of its 100% shareholding in SA Super Rugby (Pty) Ltd on the following basis, 74% to the Greatest Rugby Company in the Whole While World (Pty) Ltd and 26% to the Eastern Province Rugby Union.

Human capital development remains a key focus area of SARU with succession planning for certain categories of staff being a key area of concern for the as part of the ongoing review and improvement focus initiatives in line with the adapting environment of sports.
SARU VALUES
The Executive Council is fully committed to account-
ability, fairness and business integrity in all its activities.
The core values that underpin SARU’s behavior and
everything we do as an organization are summarized as
follows: excellence, inclusivity, innovation, ethics and
collaboration.

The compliance department is responsible for legal
compliance and governance issues. It supports the busi-
ness in complying with relevant laws and regulations and
internal procedures. The Social and Ethics Committee
was integrated into the HR and Remunerations Commit-
tee given the overlap in certain oversight areas applicable
to the organization.

The Executive Council members have certified that
they did not have any material interest in any transaction
of any significance with the union. A register detailing
the members’ interests is available for inspection at the
union’s registered office.

SUSTAINABILITY FOCUS
Human capital development remains a key focus area of
SARU with succession planning for certain categories of
staff being a key area of concern for the as part of the
ongoing review and improvement focus initiatives in line
with the adapting external and internal environment of
sports.

Against this backdrop, it becomes critical to form
partnerships with an intention of growing sports talent
through learning. We were intentional in awarding Bursa-
rles to our employees and learnerships to both employed
and unemployed learners. We extended this learning
opportunity to Virgin Active employees who are in a
similar sector as SA Rugby. These were all sports related
learning programmes targeting individuals who were pre-
viously disadvantaged and had not had an opportunity or
means to study in the area of their passion, sports. This
will now ensure that the skills acquired through these
programmes become a foundation for now and the future
not only in SA Rugby, but in the sports sector as a whole.

Our focus was also turned into social issues, more
specifically mental illness, sexual harassment and social
media. The continuous on-site counselling is helping our
employees consult with qualified psychologists to help
them deal with mental illness and other social issues.
Workshops which create awareness on sexual harass-
ment and responsible use of social media helps us to
create a desired sustainable organisation which is reas-
suring to employees as it extends to their families and
ultimately the communities where they come from.

To ensure sustainability of competent and skilled
workforce at SARU, our employee study assistance pro-
gramme attracted more employees who furthered their
tertiary education in 2018. This is critical in building our
talent pool and leadership development for succession
planning agenda.

We also opened our doors to a second Trade Union
(Sports Employees Unite), to build and strengthen long
term sustainable employee relations with support staff
within the organisation.

EXCO SUB-COMMITTEES
To enable the Exco to discharge its responsibilities
and duties as set out in the Constitution, the Exco has
established sub-committees, which have been delegated
various powers. The committees’ activities are set out in
their respective terms of reference. All committees are
accountable to the executive committee.
INTRODUCTION
The Audit and Risk Committee ("the Committee") is constituted as a committee of the South African Rugby Union ("SARU") and is appointed by the executive council to ensure the integrity of the financial statements and oversee the effectiveness of internal financial controls and external and internal audit functions.

The duties and responsibilities of the members of the Committee as set out in this document.

PURPOSE OF THE TERMS OF REFERENCE
The purpose of these terms of reference is to set out the Committee’s composition, role, responsibilities, authority, meetings and procedures.

COMPOSITION OF THE COMMITTEE
The Committee will comprise of no fewer than four (4) and no more than six (members), as per the SARU constitution.

The Committee shall have a majority of independent members who shall serve for a period of two years.

An “Independent member”, in the context of the Committee is any independent member of a subcommittee of SARU or any of the governing structures of a province of SARU and is independent in character and judgement and has no relationships or circumstances which affects his / her judgement.

The chair can be an independent non-executive member of the executive council as per King III guidelines and shall be appointed by the executive council every two years.

Other members of management may be invited to attend and be heard at the committee meetings at the discretion of the chair.

The President of SARU is not eligible for appointment as a member of this Committee but may attend meetings by invitation.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within SARU.

The Committee members must keep up-to-date with developments affecting the required skill-set.

ROLE
The Committee has an independent role with accountability to both the executive council and the general meeting. The Committee does not assume the functions of management, which remain the responsibility of the chief executive officer and other members of senior management. The Committee has an oversight role over the governance and key compliance issues.

RESPONSIBILITIES
The Committee has the following specific responsibilities:

1. INTEGRATED REPORTING
The Committee oversees integrated reporting, and in particular must:
   - Consider the factors and risks that may impact on the integrity of the integrated report;
   - Review the annual financial statements;
   - Comment in the annual financial statements on the financial statements in the integrated report, the accounting practices and the effectiveness of the internal financial controls; and
   - Recommend the integrated report for approval by the executive council
   - Approval of the Complaint policy with respect to accounting practices, content or auditing of the financial statements and internal financial controls.
   - Receive and deal appropriately with any concerns or complaints, whether from within or outside SARU, or on its own initiative, relating to:
     - the accounting practises and internal audit of the organisation
     - the content or auditing of SARU’s financial statements
     - the internal financial controls of the company
   - Review of the Reserves Policy
   - Preparing a report to the general meeting at the AGM, to be included in the integrated financial statements:
     - describing how the Committee carried out its functions; and
     - stating whether the Committee is satisfied that the auditor was independent of the company
2. COMBINED ASSURANCE
The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular should:

›› Ensure that the combined assurance received is appropriate to address all the significant risks facing SARU; and
›› Monitor the relationship between the external assurance providers and SARU.

3. INTERNAL AUDIT
The Committee is responsible for the overseeing of internal audit function, and in particular:

›› Monitoring and reviewing the effectiveness of the internal audit function in the context of SARU’s risk management system;
›› For the appointment and performance assessment of the Internal audit service provider;
›› For reviewing and recommending the approval the internal audit plan and ensuring that the plan is risk based;
›› Review and approve any required changes to internal audit scope
›› Review the co-operation and co-ordination between internal and external audit functions to ensure completeness of coverage;
›› Review the adequacy of management’s corrective action taken in response to significant internal audit findings;

For ensuring that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

4. RISK MANAGEMENT
The Committee is an integral component of the risk management process and specifically must oversee:

›› Setting the direction and approving policies on how risk should be approached and addressed
›› Approve the annual update to the Risk Statement contained in the Annual Report;
›› Completeness and appropriateness of the insurance portfolio
›› Application and approval of the solvency and liquidity test and going concern status.
›› Financial reporting risks;
›› Internal financial controls;
›› Fraud risks as they relate to financial reporting; and
›› IT risks as they relate to financial reporting.

5. EXTERNAL AUDIT
The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process, and in this regard must:

›› Review and approve the annual audit plan;
›› Nominate and recommend the external auditor for appointment by the general meeting;
›› Recommend the approval of the terms of engagement and remuneration for the external auditor;
Determine the nature and extent of any non-audit services that an auditor may provide to SARU or its subsidiaries or that the auditor must not provide to SARU, its subsidiaries or a related company;

Pre-approve any proposed agreement with the auditors for the provision of non-audit services to SARU in the event that it exceeds 30% of the statutory audit fee;

Monitor and report on the independence and objectivity of the external auditor; and

Review the quality and effectiveness of the external audit process.; and

Consider whether the audit firm and, where appropriate, the individual partner that will be responsible for performing the functions of auditor, are independent.

Reviewing the effectiveness of the audit

Consider any material problems, reservations and observations, and or potentially contentious accounting treatments or judgements, or significant unusual transactions or going concern issues arising from the external audit;

6. GOVERNANCE AND ORGANISATIONAL INTEGRITY

6.1 The committee shall:
(a) consider and if deemed necessary shall be entitled to make recommendations to the executive council regarding initiatives to maintain and enhance organisational integrity and this could include:
• the review of any statements on ethical standards or requirements for SARU and assisting in developing such standards and requirements;
• together with internal and external audit, review developments in corporate governance and best practise and consider their impact and implications for SARU, its processes and structures.

7. CONFLICTS OF INTERESTS

7.1 The Committee shall:
(a) review the process for declarations of interests by members and any office bearers and make recommendations regarding additional mechanisms, policies or directives to improve the practices and processes in this regard

AUTHORITY

The Committee has no decision-making authority in regard to its duties and is accountable in this respect to both the executive council and the general meeting.

On all responsibilities delegated to it by the executive council, the Committee makes recommendations for approval by the executive council.

The Committee acts in accordance with its duties and the delegated authority of the executive council as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfilment of its duties, may call upon the Chairperson of the other executive council committees, any of the executive council members, management, and company secretary or assurance providers to provide it with information, subject to an executive council approved process being followed.

The Committee has reasonable access to SARU’s records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to an executive council approved process being followed.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at SARU’s cost, subject to an executive council approved process being followed.

The Springbok Women’s Sevens team featured at the Commonwealth Games in Australia.
MEETINGS AND PROCEDURES

FREQUENCY
The Committee Chairperson should, in consultation with the company secretary, decide the frequency and timing of its meetings. The Committee should meet as frequently as is necessary to perform its functions, but should meet at least twice a year. Reasonable time should be allocated for all audit committee meetings.

Meetings in addition to those scheduled may, with approval of the Chairperson, be held at the request of the external auditor, the internal auditor, the chief executive officer, chief financial officer, or at the instance of the executive council.

The Committee should meet at least once a year with the external and internal auditors without management being present. These may be separate meetings or meetings held before or after a scheduled audit committee meeting.

The Chairperson of the Committee should be present at SARU’s Annual General Meeting to answer questions relating to the Committee’s activities within the scope of its responsibilities.

The Committee’s Chairperson should give at least an oral summary of the Committees’ deliberations at the executive council meeting following each Committee meeting. The minutes of the Committee meeting’s proceedings should be included in the pack for the executive council’s information as soon as they have been approved.

ATTENDANCE
The chief executive officer, chief financial officer, representatives from the external auditors, representatives from the internal audit service provider, other assurance providers, professional advisors and other members of the executive council who are not members of this Committee, may be in attendance at Committee meetings, but by invitation only, without the right to vote.
The Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or company secretary.

The company secretary is the secretary to the Committee. If the incumbent Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson.

AGENDA AND MINUTES
The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for that year.

The annual plan must ensure proper coverage of the matters laid out in the Committee plan: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

The minutes of Committee meetings must be completed as soon as possible after each meeting and circulated to the Chairperson and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

Committee members shall declare their interest whether of a general nature, or related to specific agenda issues, at meetings of the Committee.

QUORUM
A quorum for Committee meetings is a majority of members being present.

Invitees in attendance at Committee meetings may participate in discussions but do not form part of the quorum for Committee meetings.

EVALUATION
The committee must review its own performance and terms of reference to ensure it is operating at maximum effectiveness. The executive council must perform an evaluation of the effectiveness of the Committee every year.

REMUNERATION
All independent members of the Audit & Risk Committee are eligible to receive such remuneration in respect of their time and contributions to the business of the Audit & Risk Committee as may be determined by formal resolution of the Remuneration Committee of SARU from time to time. Members excluded from being remunerated include Executive Council members and members of SARU’s staff who serve on this committee.

The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those of travelling to and from meetings of the Audit & Risk Committee, on such basis as the Remuneration Committee of SARU may determine from time to time.

CONFIDENTIALITY AND GOVERNANCE
All members of the Audit & Risk Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).

All members of the Audit & Risk Committee automatically undertake to observe full confidentiality regarding the content of all information which may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the CEO of SARU

Unless specifically authorised by the CEO of SARU, no member of the Audit & Risk Committee may make statements to the media.

APPROVAL OF THESE TERMS OF REFERENCE
These terms of reference were approved by the Executive Council and the Chairperson of the Committee on 17 October 2018.
1. ROLE AND COMPOSITION OF THE COMMITTEE

The role of the Committee will be to assist the Executive Council:

1.1 To evaluate and make recommendations on remuneration and conditions of service of executive, non-executive persons and elected members of the Executive Council and make such recommendations to a General Meeting where applicable.

1.2 Consider and make recommendations to the Executive Council on specific remuneration packages for other members of management put to the Committee.

1.3 Consider and make recommendations on specific policies including and relating to Recruitment and Remuneration, Performance Management, Employment Equity and Transformation, Training and Development, Succession Planning, Strategic Transformation Plan, Broad Based Black Economic Empowerment and make recommendations on these issues to the Executive Council after consulting the appropriate executives and management.

COMPOSITION

1.4 The Committee will comprise of no fewer than four (4) and no more than six members as per SARU constitution.

1.5 The Committee should preferably comprise of members of the Executive Council and should have a majority of non-executive directors. The majority of the non-executive directors serving on this committee should be independent.

1.6 The chairman shall be an independent non-executive director as per King III guidelines.

• Commentary: For transparency and impartiality and given the terms of reference of this committee (as in clause 1.1 above), the non-executive members of the Executive Council have opted not to serve on this committee but have all of these members as independents with no affiliation to any provincial union.

• This is in line with King III- “apply or explain”
  a. An “Independent member”, in the context of the Committee is any member who is not a current member of the Executive Council or any of the governing structures of a province of SARU

2. FUNCTIONING

• The Committee shall meet, adjourn or otherwise regulate its meetings as it deems fit, but it shall meet at least three times per annum.

• A meeting secretary shall be appointed to keep full and proper minutes of all meetings of the Committee.

• In order to perform their responsibilities, the Committee will create such structures and hire such advisors and assistance, as they deem appropriate from time to time.

3. CONFIDENTIALITY AND GOVERNANCE

• All members of the Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).

• All members of the Committee automatically undertake to observe full confidentiality re the content of all information which may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the Chairman of the Executive Council.

• Unless specifically authorised by the Chairman of the Executive Council, no member of the Committee may make statements to the media.

4. REMUNERATION

• All independent members of the Committee who are not independent non-executive directors, as well as such other independent professionals as may be requested to assist or consult to the Committee on occasion, are eligible to receive such remuneration in
respect of their time and contributions to the business of the Committee as may be determined by formal resolution of the Executive Council from time to time. The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those of travelling to and from meetings of the Committee, on such basis as the Executive Council may determine from time to time.

TERMS OF REFERENCE FOR THE FINANCE COMMITTEE

1. STATUS OF THE COMMITTEE
   1.1 SARU’s constitution provides for the establishment and operation of a Finance Committee, as a sub-committee of the Executive Council, whose members shall be members of the Executive Council.
   1.2 The committee’s chairman should give at least an oral summary of the committees’ deliberations at the Executive Council meeting following the committee meeting. The minutes of the committee meeting’s proceedings should be included in the board pack for the Executive Council’s information as soon as they have been approved.

2. ROLE, COMPOSITION AND TERM OF THE COMMITTEE
   The role of the committee is to assist the Executive Council in fulfilling its responsibility for overseeing SARU’s financial affairs in terms of clause 16.12.3.4 of its constitution.
   The committee shall comprise of no fewer than four (4) members and no more than six (6) members, all of whom shall be members of the Executive Council.
   The committee shall serve for a period of two years.

3. ROLE OF THE CHIEF FINANCIAL OFFICER
   The Chief Financial Officer is the executive responsible for SARU’s financial affairs on a day-to-day basis, subject always to the directions of the Chief Executive Officer.

4. RESPONSIBILITIES
   The Committee has the following specific responsibilities subject to its mandate from the Executive Council:

   4.1 Internal monthly financial reporting
      The Committee reviews internal monthly financial reporting, including that of the provincial unions and their commercial arms

   4.2 Management of revenue streams (including Commercial Properties, Sponsorships and Broadcasting Rights)
      The Committee has immediate oversight in matters related to major revenue streams (including Commercial Properties, Sponsorships and Broadcasting Rights) and must review and recommend to the Executive Council the signing off of Sponsorships and Broadcasting Rights contracts with a monetary value in excess of R10 million. This amount may be increased as deemed necessary by the Committee.

   4.3 Financial Policies
      The Committee has immediate oversight in matters related to financial policies.

   4.4 Financial results, budgets, cash flow management and financial planning
      The Committee has immediate oversight in matters related to financial results, budgets, both operating and capital expenditure, cash flow management and financial planning.

   4.5 Ad-hoc matters which have a financial or commercial impact
      The Committee has immediate oversight in matters which have a financial or commercial impact, i.e.:
      • Ensuring the build-up of adequate reserves
      • Liaise with other committees on expenses they oversee, i.e. salary increases, etc.

   4.6 Financial Support
      The committee will evaluate application from a union for financial support – set criteria will be determined to evaluate such applications. Should financial support be approved SARU and the relevant Union will enter into a formal agreement which will contain the conditions of approval. Punitive measures will be applied where there is a breach to the agreement.
4.7 Delegation of Authority

The Committee will approve the authority.

5. AUTHORITY

The Committee acts in accordance with its delegated authority from the Executive Council as recorded in these terms of reference (as listed in paragraph 5 above). It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfilment of its duties, may call upon the Chairman of the other Sub Committees, any of the Chief Executive Officer, Company Officers, and Company Secretary or assurance providers to provide it with information subject to Executive Council approved processes.

The Committee must have reasonable access to SARU’s records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following Executive Council approved process.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company’s cost, subject to an Executive Council approved process being followed.

The Committee has no decision-making authority in regard to its duties and is accountable in this respect to the Executive Council. The Chairman of the Committee must be present at all annual general meetings.

On all responsibilities delegated to it by the Executive Council, the Committee makes recommendations for approval by the Executive Council.

Where there is a perceived overlap of responsibilities between the Committee and the Audit & Risk Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation.

6. MEETINGS AND PROCEDURES

6.1 Frequency

The Committee should hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a maximum of three (3) meetings per year. These meetings should be held prior to the Executive Council meetings.

Meetings in addition to those scheduled may be held at the request of the Committee Chairman, Chief Executive Officer, Chief Financial Officer, Company Secretary or at the instance of the Executive Council.

6.2 Attendance

Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or Chief Executive. A quorum will comprise any two independent director Committee members.

The Company secretary is the secretary to this Committee.

If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman.

7. CONFIDENTIALITY AND GOVERNANCE

All members of the Finance Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).

All members of the Finance Committee automatically undertake to observe full confidentiality regarding the content of all information which may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the CEO of SARU

Unless specifically authorised by the CEO of SARU, no member of the Finance Committee may make statements to the media.

Sergeal Petersen scored eight tries in eight matches for DHL Western Province and was named Currie Cup Premier Division Player of the Year for 2018.
1. STATUS OF THE COMMITTEE

1.1 SARU’s Constitution provides for the establishment and operation of a Franchise Committee (the “Committee”), as a sub-Committee of the Executive Committee (“EXCO”), whose members shall comprise CEOs of the Franchise Unions (the Franchise Members).

1.2 The Committee has all the formal delegated authority and mandate from the EXCO as necessary to perform its role and responsibilities.

2. ROLE OF THE COMMITTEE

2.1 The role of the Committee will be to:

2.1.1 manage the strategic direction of Professional and High Performance Rugby to ensure the best possible rugby experience;

2.1.2 in conjunction with management, determine the competition structures, formats, rules and regulations for professional rugby;

2.1.3 develop the competition schedules in conjunction with the needs of broadcasters, sponsors and World Rugby competitions;

2.1.4 determine the player movement regulations;

2.1.5 determine player agent regulations;

2.1.6 develop and manage player welfare principles and policies;

2.1.7 determine the appropriate criteria and parameters to establish a sustainable financial model that provides for secure growth;

2.1.8 ensure that the franchise is appropriately aligned to the South African Rugby high performance pathway for the development of players, coaches, referees and other officials;

2.1.9 ensure that the franchise provides an appropriate opportunity for players, coaches, referees and officials to be developed and perform to their full potential at national and international level;

2.1.10 ensure alignment to and support to all strategic imperatives of South African rugby with specific reference to Transformation and Development; and

2.1.11 perform any other activity as may be specifically requested by the EXCO from time to time.

3. COMPOSITION OF THE COMMITTEE

3.1 The Committee will comprise of no fewer than four (4) and no more than 10 (ten) (members) as per SARU constitution.

3.2 The Committee will comprise of all franchise member CEOs, relevant members of the executive Committee including but not limited to the President, the deputy President and the vice president (as applicable) and the CEO of SARU.

3.3 The Chairman shall always be the President of SARU and in his absence, the deputy president or vice president or CEO of SARU, as the case may be.

3.4 The franchise members will be entitled to be accompanied by an additional member from their union, however, any associated costs of travel and accommodation for such additional member, will be borne by the franchise member.

3.5 Seven members of the Committee will constitute a quorum.

4. FUNCTIONING

4.1 The Committee shall meet at least once every quarter.

4.2 Meetings may be held in person or electronically, including but not limited to SKYPE or teleconference.

4.3 A copy of the agenda of the meeting including the minutes of the previous meeting, shall be sent to the members of the Committee no less than 5 (five) days before the meeting.

4.4 Special meetings may be called 50% of the franchise members or when deemed necessary by the SARU President and/or CEO.

4.5 In order to perform their responsibilities, the Committee may obtain independent professional
advice to assist the Committee from time to time.

4.6 On all matters delegated to the Committee by the EXCO, the Committee makes recommendations for approval by the EXCO. The Committee shall have no decision making power in regard to its duties and is accountable to the EXCO.

4.7 The Committee will seek at all times to make decisions by consensus, however, should this not be possible, a decision supported by 75% of the Committee members present will stand as the Committee’s decision.

4.8 The company secretary shall be the secretary for the meeting.

5. CONFIDENTIALITY AND GOVERNANCE

5.1 All members of the Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the SARU’s Code of Conduct and its Values.

5.2 All members of the Committee acknowledge that they will be discussing confidential and commercially sensitive and strategic information and that disclosure of such information to third parties may cause significant commercial, financial and reputational harm to SARU. Members therefore undertake to exercise full confidentiality in relation to all information which may come to their attention from time to time. No such information may be revealed to any persons outside of SARU without the prior authorisation of the Chairman.

5.3. Unless specifically authorised by the Chairman of the Committee, no member of the Committee may make statements to the media.

6. REMUNERATION

6.1. Only independent members of the Committee who are not independent non-executive directors, as well as such other independent professionals as may be requested to assist or consult to the Committee on occasion, are eligible to receive such remuneration in respect of their time and contributions to the business of the Committee as may be determined by formal resolution of the Committee from time to time.

6.2. The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those travelling to and from meetings of the Committee, on such basis as the Committee may determine from time to time.

7. REPORTING TO THE EXCO

7.1. The Committee shall submit as work plan of Committee activities for the year to the EXCO after the Committee’s first meeting for the year.

7.2. The Committee shall review and assess the adequacy of these Terms of Reference annually or more frequently if necessary and recommend changes as needed to EXCO. The Committee shall ensure that the members of the Committee undergo a review annually.
1. STATUS OF THE COMMITTEE
1.1 SARU’s Constitution provides for the establishment and operation of a Non-Franchise Committee (the “Committee”), as a sub-Committee of the Executive Council (“EXCO”), whose members shall comprise CEOs of all the unions as set out SARU Constitution.

1.2 The Committee has all the formal delegated authority and mandate from the EXCO as necessary to perform its role and responsibilities.

2. ROLE OF THE COMMITTEE
2.1 The role of the Committee will be to:

2.1.1 manage the strategic direction of schools, universities, amateur, semi-professional and grass roots rugby to ensure the best possible rugby experience;

2.1.2 determine the competition structures, formats, rules and regulations for schools, universities, amateur and semi-professional SARU rugby tournaments;

2.1.3 determine the player movement regulations;

2.1.4 determine player agent regulations;

2.1.5 develop and manage player welfare principles and policies;

2.1.6 determine the appropriate criteria and parameters to establish a sustainable financial model that provides for secure growth;

2.1.7 ensure that the Committee is appropriately aligned to the South African Rugby high performance pathway for the development of players, coaches, referees and other officials;

2.1.8 ensure that the Committee provides an appropriate opportunity for players, coaches, referees and officials to be developed and perform to their full potential at national and international level;

2.1.9 ensure alignment to and support to all strategic imperatives of South African rugby with specific reference to Transformation and Development; and

2.1.10 support training and development in amateur rugby structures; and

2.1.11 perform any other activity as may be specifically requested by the EXCO from time to time.

3. COMPOSITION OF THE COMMITTEE
3.1 The Committee will comprise of all the unions as per SARU constitution.

3.2 The members of the Committee shall comprise of the unions’ CEOs, relevant members of the EXCO including but not limited to the President, the Deputy President, the Vice President (as applicable) and the CEO of SARU.

3.3 The Chairman shall always be the President of SARU and in his absence, the Deputy President or Vice President or CEO of SARU, as the case may be.

3.4 The union CEOs will be entitled to be accompanied by the Presidents or nominees from their union, however, any associated costs of travel and accommodation for such additional member, will be borne by the respective union.

3.5 Seven members of the union and two SARU representatives will constitute a quorum.

4. FUNCTIONING
4.1 The Committee shall meet at least once every quarter.

4.2 Meetings may be held in person or electronically, including but not limited to SKYPE or teleconference.

4.3 A copy of the agenda of the meeting including the minutes of the previous meeting, shall be sent to the members of the Committee no less than 5 (five) days before the meeting.

4.4 Special meetings may be called 50% of the members or when deemed necessary by the SARU President and/or CEO.

4.5 In order to perform their responsibilities, the Committee may obtain independent professional advice to assist the Committee from time to time.

4.6 On all matters delegated to the Committee by the EXCO, the Committee makes recommend-
The Committee shall have no decision making power in regard to its duties and is accountable to the EXCO.

4.7 The Committee will seek at all times to make decisions by consensus, however, should this not be possible, a decision supported by 75% of the Committee members present will stand as the Committee’s decision.

4.8 The company secretary shall be the secretary for the meeting.

5. CONFIDENTIALITY AND GOVERNANCE

5.1 All members of the Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the SARU’s Code of Conduct and its Values.

5.2 All members of the Committee acknowledge that they will be discussing confidential and commercially sensitive and strategic information and that disclosure of such information to third parties may cause significant commercial, financial and reputational harm to SARU. Members therefore undertake to exercise full confidentiality in relation to all information which may come to their attention from time to time. No such information may be revealed to any persons outside of SARU without the prior authorisation of the Chairman.

5.3 Unless specifically authorised by the Chairman of the Committee, no member of the Committee may make statements to the media.

6. REMUNERATION

6.1 Only independent members of the Committee who are not independent non-executive directors, as well as such other independent professionals as may be requested to assist or consult to the Committee on occasion, are eligible to receive such remuneration in respect of their time and contributions to the business of the Committee as may be determined by formal resolution of the Committee from time to time.

6.2 The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those travelling to and from meetings of the Committee, on such basis as the Committee may determine from time to time.

7. REPORTING TO THE EXCO

7.1 The Committee shall submit as work plan of Committee activities for the year to the EXCO after the Committee’s first meeting for the year.

7.2 The Committee shall review and assess the adequacy of these Terms of Reference annually or more frequently if necessary and recommend changes as needed to EXCO. The Committee shall ensure that the members of the Committee undergo a review annually.

The Vodacom Blue Bulls in action against Toyota Free State at the Grant Khomo Under-16 Week in Kimberley.
1. INTRODUCTION

The Transformation Committee has no decision-making authority, however has the formal delegated authorities as mandated by the Executive Council as are necessary to perform its role and responsibilities, in order to achieve the objectives as set out in the South African Rugby Union Strategic Transformation Plan.

The Transformation Committee will have full access to information it needs to fulfill its responsibilities, and all employees of SARU are required to co-operate with requests made by the Transformation Committee via the office of the CEO in the course of its duties. This includes interaction with provincial rugby structures when and if required.

The Transformation Committee may obtain such internal or independent external professional advice, as it considers necessary to carry out its duties.

2. PURPOSE OF THE COMMITTEE

The purpose of the Committee is to provide leadership and expertise to achieve the strategic focus areas, as outlined in the SA Rugby Strategic Transformation Plan.

The purpose of the Committee are twofold:

1. To monitor and oversee the transformation of the game in SA Rugby with regard to the access, growth, skills development, demographic representation, social responsibilities, community involvement and participation at all levels over which SA Rugby has jurisdiction.

2. Recommend interventions, where necessary, to accelerate transformation in South African Rugby based on the principle of broad-based empowerment.

3. ROLES AND RESPONSIBILITIES

To continually monitor and assess provincial, national and international developments, trends for general, sport and specifically rugby transformation best practices, to ensure the implementation, monitoring, evaluation and reporting of the Strategic Transformation Plan (STP), the
Darren Hendricks of the SA Schools congratulates an English opponent after their match in the Aon U18 International Series, won 41-22 by the South Africans in Cape Town.
Committee would be required to:

- The role of the committee will be to:
  - Propose and recommend a transformation strategy for SA Rugby.
  - Recommend and propose transformation goals that will ensure the long term future of the game.
  - Oversee, monitor, evaluate and report, in consultation with the SA Rugby Office, on the process of transformation throughout the SA Rugby’s rugby structures based on an appropriate performance scorecard.
  - Identify policy, system and practice areas of improvement to ensure ongoing and improved results.
  - Enable the development of appropriate transformation plans and programmes at all levels, and oversee the implementation, monitoring, evaluation and reporting thereof.
  - Assess, evaluate, guide, advice & monitor in particular the Union’s transformation progress, and provide them with the necessary support.
  - Develop, constantly review and implement a performance management system for all Unions.
  - Conduct transformation forums at all levels, for the purposes of learning, development and sharing of information and ideas.
  - Ensure the effective utilisation of allocated resources, to achieve the desired results of the STP strategic focus areas.
  - Recommend to the Executive Council measures of action in the event where transformation targets are not being met.

4. COMPOSITION

- The Committee consist of all Union Presidents and or their designated representative.
- An independent board member appointed by the Executive Council as outlined by the SA Rugby constitution will chair the Transformation Committee.
- Various individuals having appropriate expertise and resources, for a specific purpose, will be appointed as approved by the Executive Council.
- The Transformation Committee coordination will be the responsibility of the GM: Strategic Performance Management, in consultation with the CEO.
- The various members of the Committee will be allocated specific responsibilities from time to time, according to the changing needs of the STP of SARU and will be communicated to members of the Committee, for their information and action, and against which their performance shall be measured.
  - The preparation and submission of annual report to the Office of the CEO, in consultation with the GM: Strategic Performance Management.

5. MEETINGS

- The Committee chairperson should, in consultation with the company secretary, decide the frequency and timing of its meetings. The Committee should meet as frequently as is necessary to perform its functions, but should meet at least twice per year. Reasonable time should be allocated for additional committee meetings when required.
- A quorum for Committee meetings is a majority of members being present. Invitees in attendance at Committee meetings may participate in discussions but do not form part of the quorum for Committee meetings.
- A meeting secretary shall be appointed to keep full and proper minutes of all meetings of the Committee.
- The Committee has a responsibility to submit written reports, based all meetings held, for discussion and approval at Executive Council meetings, including additional reports when required.

6. CONFIDENTIALITY AND GOVERNANCE

- All members of the Transformation Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).
- All members of the Transformation Committee automatically undertake to observe full confidentiality re the content of all information that may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the CEO of SARU.
- Unless specifically authorised by the CEO of SARU, no member of the Transformation Committee may make statements to the media.

7. REMUNERATION

- All members of the Transformation Committee, as well as such other independent professionals as may be requested to assist or consult to the Transformation Committee on occasion, are eligible to receive such remuneration in respect of their time and contributions to the business of the Transformation Committee as may be determined by formal resolution of the Remuneration Committee of SARU from time to time. Members excluded from being remunerated include Presidents of
The Blitzboks won the HSBC Paris Sevens and clinched the overall World Series title on a dramatic day of rugby in France.

Unions, Executive Council members and members of SARU’s staff who serve on this committee.

The members and attendees may also be reimbursed all travelling, hotel and other expenses properly incurred by them in or about the performance of their activities as members or attendees, including those of travelling to and from meetings of the Transformation Committee, on such basis as the Remuneration Committee of SARU may determine from time to time.

An “Independent member”, in the context of the Committee is any member of a subcommittee of SARU who is not a current member of the Executive Council or any of the governing structures of a member of SARU.

2. ROLE AND COMPOSITION OF THE COMMITTEE

The role of the Committee will be to assist the Executive Council:

1.1 To evaluate and make recommendations on proposed rescissions or additions to the SARU constitution received from members upon request from the Executive Council.

1.2 Consider and make recommendations to the Executive Council on proposed amendments emanating from the Executive Council

COMPOSITION

1.4 The Committee will comprise of no fewer than four (4) and no more than six (members) as per SARU constitution.

1.5 The Committee should preferably comprise of majority members of the Executive Council.

2. FUNCTIONING

The Committee shall meet, when required to so by the Executive Council

A meeting secretary shall be appointed to keep full and proper minutes of all meetings of the Committee.

3. CONFIDENTIALITY AND GOVERNANCE

All members of the Committee, whether or not they are employees of SARU, automatically undertake to be bound in full by the Code of Corporate Practices and Conduct of SARU, its Values and its Code of Ethics (“Unified Code of Ethics”).

All members of the Committee automatically undertake to observe full confidentiality re the content of all information which may come to their attention from time to time. No such information may be revealed to persons outside of SARU without the prior authorisation of the Chairman of the Executive Council.

Unless specifically authorised by the Chairman of the Executive Council, no member of the Committee may make statements to the media.

8. COMMITTEE EFFECTIVENESS

The Committee shall be subject to evaluation, either through self-assessments or external evaluations, to determine its relevance and effectiveness. The outcome of the evaluation shall be presented to the Executive Council for its consideration.

9. REVIEW

These Terms of Reference shall be reviewed on a periodic basis to determine their relevance and effectiveness, by being tabled at a meeting(s) of the Executive Council.
EXECUTIVE COUNCIL REPORT

GENERAL MEETING
In compliance with clause 12.1 of the SARU Constitution the General Meeting assembled for an Annual General Meeting in April, two Ordinary General Meeting in July and December and one Special General Meeting in July 2018.

As per clause 13.2 of the SARU Constitution, the General Meeting approved SARU's annual budget for 2019 at the meeting held on 8 December 2018.

EXECUTIVE COUNCIL
The Executive Council complied with clause 15.1 of the Constitution by having eight meetings of which six of these were scheduled meetings, two were special meetings and two was held via teleconference.

The attendance by members of the Executive Council was as follows for the period 1 January 2018 until 31 December 2018:

<table>
<thead>
<tr>
<th>EXCO MEMBER</th>
<th>25/01</th>
<th>12/03</th>
<th>27/03</th>
<th>05/06</th>
<th>26/07</th>
<th>27/08</th>
<th>17/10</th>
<th>06/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Alexander</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>F. Davids</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Stoffberg</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>N. Fick</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>P. Kuhn</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>V. Lottering</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>T. Titus</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>M. Tabata</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>L. Groenewald</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>L. v Zeuner</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Smit</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S Ngumeni</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>H Mentz</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>I. Mould</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Roux</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A. Saban</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>V. Doble</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
SUBCOMMITTEES AND AD HOC COMMITTEES

Sub-committees and ad hoc Committees were established in terms of the SARU Constitution and taking into consideration as far as possible, the principles and the best practice recommendations set out in the Code of Governance Principles for South Africa- 2009 King III.

The sub-committees are:

- Audit & Risk Committee – had three meetings
  Attendance at meetings:

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>26/03</th>
<th>23/07</th>
<th>10/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>P. Kuhn</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
</tr>
<tr>
<td>S. Ngumeni</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>L. v Zeuner</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>R. Fenner</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S. Jodwana</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Prof v. Harte</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- Human Resources and Remuneration Committee – had four meetings
  Attendance at meetings:

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>14/03</th>
<th>30/05</th>
<th>29/08</th>
<th>3/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. Tabata</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>V. Christian</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>J. Goldberg</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>N. Mason</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✓</td>
</tr>
</tbody>
</table>

- Finance Committee – had seven meetings
  Attendance at meetings:

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>26/01</th>
<th>19/02</th>
<th>4/06</th>
<th>18/06</th>
<th>07/08</th>
<th>27/08</th>
<th>20/09</th>
<th>19/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. Fick</td>
<td>✓</td>
<td>✓</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
</tr>
<tr>
<td>M. Alexander</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>M. Tabata</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>L. v Zeuner</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>H. Mentz</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>F Davids</td>
<td>✘</td>
<td>✘</td>
<td>✘</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
AUDIT AND RISK COMMITTEE

For the year 31 December 2018

The Audit and Risk Committee has pleasure in submitting this Audit and Risk Report for the year under review:
The Emirates Lions played in a third consecutive Vodacom Super Rugby final in 2018, in Christchurch against the Crusaders.
FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee has adopted formal terms of reference, delegated to it by the executive council, as its Audit and Risk Committee Charter.

The Audit and Risk Committee has discharged the functions in terms of its charter and ascribed as follows:

- Reviewed the consolidated and separate annual financial statements, culminating in a recommendation to the executive council to recommend to the annual general meeting to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure that the consolidated and separate annual financial statements are prepared in accordance with the applicable accounting framework in SA; and
  - considered, and where appropriate, made recommendations on the internal financial controls; and
  - dealt with items raised by the external auditors about the accounting policies, the auditing process or the content of the consolidated and separate annual financial statements and internal financial controls.

- Reviewed the external audit reports on the consolidated and separate annual financial statements;

- Recommended the appointment of the external auditors;

- Recommended the risk-based internal audit plan;

- Reviewed the internal audit and risk management reports, and, where relevant, recommendations have being made to the Executive Council;

- Evaluated the effectiveness of risk man-
The Audit and Risk Committee held a work-shop on strategic risk in August 2018.

The Audit and Risk Committee, is a subcommittee of the Executive Council and therefore reports to the Executive Council.

TERMS OF REFERENCE
The Audit and Risk Committee has adopted a formal terms of reference that has been approved by the Executive Council. The terms of reference have been determined taking into account the statutory responsibilities and the duties assigned to it by the Executive Council. The Audit and Risk Committee’s terms of reference were reviewed and updated in October 2018.

ATTENDANCE
The internal and external auditors, in their capacity as auditors to the entity, attended and reported at meetings of the Audit and Risk Committee. The CFO, CEO and relevant senior managers attended meetings by invitation.

ANNUAL FINANCIAL STATEMENTS
The Audit and Risk Committee has discharged the functions in terms of its charter and ascribed to it as follows:

- Reviewed the consolidated and separate annual financial statements, culminating in a recommendation to the executive council to recommend to the annual general meeting to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure that the consolidated and separate annual financial statements are prepared in accordance with the applicable accounting framework in SA; and
  - considered, and, where appropriate, made recommendations on internal financial controls;
  - dealt with items raised by the external auditors about the accounting policies, the auditing process or the content of the consolidated and separate annual financial statements and internal financial controls.
- Reviewed the external audit reports on the consolidated and separate annual financial statements.

INTERNAL AUDIT
The Audit and Risk Committee fulfils an oversight role regarding SARU’s financial statements and the reporting process, including the system of internal financial control. It is responsible for ensuring that SARU’s internal audit function is independent and has the necessary resources, standing and authority within the entity to enable it to discharge its duties.

Furthermore, the Audit and Risk Committee oversees co-operation between the internal and external auditors, and serves as a link between the Executive Council and these functions.

The Audit and Risk Committee reviewed the Internal Audit plan developed for the year, based on the strategic and operational risk assessments and recommended that the plan be approved by the Executive Council. The Audit and Risk Committee also reviewed the Combined Assurance plan prepared by the Internal Auditors and recommended the
Combined Assurance Plan to the Executive Council for approval.

**EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE**

PricewaterhouseCoopers Inc. (PWC) served as SARU’s designated external auditors for the 2017 – 2018 financial year.

The Audit and Risk Committee has reviewed the independence guidelines applied of PWC and the Independent Regulatory Board of Auditors in respect of independence and conflict of interest. The external auditors provided assurance in the external audit plan and the final external report of their independence to the Audit and Risk Committee.

The Audit and Risk Committee recommended the approval of the terms of engagement and the external audit fees to the Executive Council for approval.

The Audit and Risk Committee ensured that the nature and extent of non-audit services provided by the external auditors were in terms of the external auditor independence policy.

The Audit and Risk Committee has recommended the re-appointment of PricewaterhouseCoopers Inc. as auditors for the 2019 financial year.

The Audit and Risk Committee discussed and evaluated the audit plan submitted by the external auditors and has recommended the audit plan for approval to the Executive Council.

**INFORMATION TECHNOLOGY**

In accordance with the terms of reference, the Audit and Risk Committee reviewed the risks relating to the Information Technology (IT). The Audit and Risk Committee is of the view that the Information Technology controls are improving and management is in the process of expanding the reporting process for IT.

**RISK MANAGEMENT**

The Executive Council is ultimately responsible for risk management and the Executive Council has delegated the specific responsibility to the Audit and Risk Committee.

The Audit and Risk Committee assisted the Executive Council to discharge its responsibilities by monitoring and assessing the role and effectiveness of the internal audit function in the context of the risk management function, ensuring that the work undertaken by the internal auditors is aligned with the risk priorities.

Risk management has been included on the agenda for all Audit and Risk Committee meetings to consider and discuss new and
emerging risks as well as legal and compliance matters that may impact on SARU or its operations.

The Committee identified 13 key strategic risks for the organisation in 2018 that may inhibit SARU from achieving its strategic objectives. In assessing these risks, the committee considered macroeconomic factors, SARU’s operational environment dependency on the financial sustainability of the Unions and transformation objectives. An operational risk assessment was also performed and a number of the operational risks identified were linked to the key strategic risks. Both the strategic and operational risk assessments were key in the development of the combined assurance plan for SARU.

Reporting of these risks as well as mitigation plans formed part of quarterly reporting to the Executive Council.
OPERATING RESULTS
Due to the change in recognition criteria of revenue, as required by International Reporting Standard 15, grant income is no longer included in reported revenue but rather disclosed as other income. As a result, comparative group revenue is restated at R1.15 billion compared to the previously reported R1.21 billion.

Considering the above, group revenues increased by 9.5% to R1.26 billion (R1.15 billion in 2017) with Guinness Pro14 broadcasting recognized for a full calendar year, increased national team sponsorships, test guarantees and HSBC Cape Town Sevens event income. A R5.8 million profit after taxation is reported for the group for the year ended 31 December 2018 compared to the reported losses of R62 million one year prior.

The financial results include a net loss of R60 million attributable to participation in the Guinness Pro14, loan impairments of R34 million and receivables provisioning of R16 million. The increase in operations and finance departmental costs from R60 million in 2017 to R110 million in 2018 is primarily as a result of such impairments and provisioning.

The rugby department cost had increased by 16% due to the additional test match and remuneration of national teams. The 5.5% reduction in the commercial department spend is attributable to significant savings in Sanzaar and Guinness Pro14 travel. The area of competition travel and accommodation remain challenging from a forecasting and budgeting perspective as injury replacements and play off participants often require last minute travel bookings that are often costly.

Financial support for our 14 member unions and player welfare, through the use of player imagery and injury insurance, accounted for around 29.3% of total expenditure.

The ability to post a profit net of material impairments is encouraging considering the economic climate in which we operate.

FINANCIAL POSITION
In line with the requirement of International Accounting Standard 19, an amount relating to the actuarial gains and losses of the post-retirement medical obligation has been reclassified from retained earnings to an actuarial reserve.
The 2018 annual financial statements, underpinned by a marginal profit, reflected a slightly improved financial position. Liquidity remains a concern with continued focus and financial diligence required to ensure that the group can continue to operate as a going concern. Although the impairment of certain financial assets proved to be material, it was both necessary from a reporting perspective and a basis on which to build reserves.

The Group’s total equity position improved to R9.8 million from the R3.9 million reported in 2017 and after a partial reversal of the deferred taxation asset. The ability to commercialize the digital platform and actively pursuing sponsorship opportunities will address immediate solvency concerns.

The reduction in the overdraft from R87.4 million to R67.7m and the improvement in the current ratio will provide for a positive sentiment from our bankers when negotiating overdraft facilities. These facilities will be required for periods of the year as the cash cycle will remain relatively unchanged due to the nature of broadcasting and sponsorship receipts.

**PROSPECTS FOR 2019 AND BEYOND**

A revised reserve policy was approved during 2018 that will look to retain approximately R24m annually by way of a cash reserve. Although the 2019 budget could not accommodate such cash retention, the expenditure rationalization, impairments recognized and revenue generating initiatives will allow for such policy implementation within the short to medium term.

The commercial reach of the digital platform, the forthcoming Rugby World Cup in Japan and the lucrative British & Irish Lions tour scheduled for 2021 are some of the key prospects for 2019 and beyond.

**STRUCTURE**

The Operations & Finance department consists of Finance and Asset Care as its core function, supporting the business at a group level. Areas of procurement, taxation, insurance, inventory warehousing and treasury are embedded within the overall finance function.

Information technology and in house travel, which are presently outsourced, are included under this structure.
SOUTH AFRICAN RUGBY UNION

VOLUNTARY ASSOCIATION OF PERSONS

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

GENERAL INFORMATION
Country of incorporation and domicile: South Africa
Nature of business and principal activities: the promotion, development and support of all levels of rugby in South Africa

EXECUTIVE COUNCIL
M Alexander (President)
F Davids (Deputy President)
J Roux (Chief Executive Officer)
A Saban (Chief Financial Officer)
I Groenewald
P Kuhn
M Tabata
T Titus
L von Zeuner
H Mentz
L Mould
J Smit
S Ngumeni
STATUTORY INFORMATION

Business address  SARU House, Tygerberg Park
163 Uys Krige Drive, Plattekloof, 7500
Cape Town

Postal address  PO Box 15929, Panorama, 7506
Cape Town

Bankers  ABSA Bank Limited

Auditor  PricewaterhouseCoopers Inc.

Level of assurance  These consolidated financial statements have been audited.

Preparer  The annual financial statements were independently compiled under the supervision of:
CF Lane CA (SA)

Attorneys  De Klerk & Van Gend Inc.
ENS Africa Inc.
Becker & Associates Inc.
Werksmans Attorneys Inc.

INDEX
The reports and statements set out below comprise the consolidated and separate financial statements presented
to the Executive Council:

Executive Council’s Responsibilities and Approval  46
Executive Council’s Report  47
Independent Auditor’s Report  50
Statements of Financial Position  53
Statements of Comprehensive Income  54
Statements of Changes in Equity  55
Statements of Cash Flows  56
Accounting policies  57
Notes to the Consolidated And Separate Financial Statements  73
EXECUTIVE COUNCIL’S RESPONSIBILITIES AND APPROVAL

The Executive Council is required to maintain adequate accounting records and is responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and Union as at the end of the financial year and the results of their operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Executive Council acknowledges that it is ultimately responsible for the system of internal financial control established by the Group and Union and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, the Executive Council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Executive Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Executive Council has reviewed the Group and Union’s cash flow forecast for the year to 31 December 2019 and, in light of this review and the current financial position, it is satisfied that the Group and Union has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group’s consolidated and separate financial statements. The consolidated and separate financial statements have been audited by the Group’s external auditor and their report is presented on pages 7 to 9.

The external auditor was given unrestricted access to all financial records and related data, including minutes of all meetings of the Executive Council. The Executive Council believes that all representations made to the external auditor during their audit are valid and appropriate.

The consolidated and separate financial statements set out on pages 10 to 59, which have been prepared on the going concern basis, were approved by the Executive Council on 03 April 2019 and were signed on its behalf by:

M Alexander (President)  J Roux (Chief Executive Officer)
The Executive Council has pleasure in submitting its report on the consolidated and separate financial statements of South African Rugby Union for the year ended 31 December 2018.

1. Review of activities

Main business and operations

The Group is engaged in the promotion, development and support of all levels of rugby in South Africa.


Net profit of the Group for the year was R 2,310,347 (2017: R 62,420,776 loss), after taxation expense of R 17,003,188 (2017: R 19,478,352).

2. Going concern

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these are:

- Broadcasting and key sponsorship properties have already been secured for 2019 and beyond;
- Banking facilities, to meet the required operational needs, have been secured in the medium term with continuous review thereof;
- Management will continue to work towards an efficient and affordable cost base.

3. Events after the reporting period

The Executive Council has taken the decision to close down the Springbok Experience Museum which was included in the South African Rugby Heritage Trust (the "Trust"). The results of the Trust are included in the consolidated financial statements.

The Executive Council has taken the decision to sell the investment in SA Super Rugby Proprietary Limited. The results of SA Super Rugby Proprietary Limited are included in the consolidated financial statements.

The Executive Council is not aware of any other material event which occurred after the reporting date and up to the date of this report that will have a significant impact on the attached consolidated and separate financial statements.

4. Membership control

The Group is controlled by nine Provincial members made up of fourteen unions. Limpopo is included as a member but has no voting power because it doesn't have a union. Each Union has the right to designate two persons to represent them at general meetings of members, and each such representative has one vote. The only other person entitled to vote at general meetings of members is the President, who, in the case of an equality of votes, shall be entitled to a second or casting vote, provided that he has used his deliberate vote. The Union's business and activities are overseen by the members in general meeting, which has the ultimate authority in respect of, and responsibility for, its affairs.
5. Subsidiaries, associates, joint operations and Trust

The Union has the following interests:

A 51% shareholding in Springbok Supporters Club Proprietary Limited, which has as its main objective the promotion of the Springbok rugby brand. The remaining shares are held by Treble Entertainment Proprietary Limited.

A 33.3% shareholding in SANZAR Proprietary Limited which manages the Super Rugby and The Rugby Championship competitions played in the Southern Hemisphere. The remaining shares are held equally by the Australian Rugby Union and the New Zealand Rugby Union. The company is equity accounted for by the Group. All income from the broadcasting rights agreements relating to these competitions, other than the rights sold to European broadcasters, is derived directly by the Unions. The Union’s share of accumulated profits of the associate, as reported in its 2018 annual financial statements was R 3,091,598 (2017: R 2,808,006).

A 33.3% shareholding in SANZAR Europe S.a.r.l., a Luxembourg based company which owns and manages the sales of broadcasting rights for the Super Rugby and The Rugby Championship competitions to European broadcasters. The remaining shares are held equally by the Australian Rugby Union and the New Zealand Rugby Union. The company is equity accounted for by the Group. The Union’s share of accumulated profits as reported in its 2018 annual financial statements was R 4,415,400 (2017: R 2,227,735).

A 50% interest in SA Rugby Travel, a joint operation which creates, markets and sells official travel packages for Springbok rugby events, Rugby World Cups and other events.

Control of The South African Rugby Heritage Trust by way of trustee representation, the aims and objectives of which are to advance, promote and preserve South Africa’s rugby heritage.

Control of a Non-profit company called The Rugby Educational Foundation NPC. The purpose of this company is to contribute to the economic and social development of South Africans through the provision of academic and recreational bursaries, rugby specific training and life skills programs for unemployed persons, with the purpose of enabling talented sports men and women to obtain employment.

Control of SA Super Rugby Proprietary Limited, utilised to fulfil the management function for the Southern Kings franchise participating in the Guinness Pro14 competition.

Further details relating to these entities are given in notes 7, 8 and 28 of the consolidated and separate financial statements.
6. Executive Council

The Executive Council in office at the date of this report is as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>M Alexander (President)</td>
<td></td>
</tr>
<tr>
<td>F Davids (Deputy President)</td>
<td></td>
</tr>
<tr>
<td>J Stoffberg (Vice-President)</td>
<td>Resigned 06 April 2018</td>
</tr>
<tr>
<td>J Roux (Chief Executive Officer)</td>
<td></td>
</tr>
<tr>
<td>A Saban (Chief Financial Officer)</td>
<td></td>
</tr>
<tr>
<td>N Fick</td>
<td>Resigned 06 April 2018</td>
</tr>
<tr>
<td>I Groenewald</td>
<td></td>
</tr>
<tr>
<td>P Kuhn</td>
<td></td>
</tr>
<tr>
<td>V Lottering</td>
<td>Resigned 06 April 2018</td>
</tr>
<tr>
<td>M Tabata</td>
<td></td>
</tr>
<tr>
<td>T Titus</td>
<td></td>
</tr>
<tr>
<td>L von Zeuner</td>
<td></td>
</tr>
<tr>
<td>H Mentz</td>
<td>Appointed 06 April 2018</td>
</tr>
<tr>
<td>L Mould</td>
<td>Appointed 06 April 2018</td>
</tr>
<tr>
<td>J Smit</td>
<td>Appointed 07 March 2018</td>
</tr>
<tr>
<td>S Ngumeni</td>
<td>Appointed 02 March 2018</td>
</tr>
</tbody>
</table>

7. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the Union and its subsidiaries for 2018.
Independent auditor’s report

To the Members of the South African Rugby Union

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Rugby Union (the Union) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The South African Rugby Union’s consolidated and separate financial statements set out on pages 10 to 59 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Other information

The executive council is responsible for the other information. The other information comprises the information included in the Annual Report. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.
Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive council for the consolidated and separate financial statements

The executive council is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and for such internal control as the executive council determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the executive council is responsible for assessing the Group and the Union’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive council either intends to liquidate the Group and/or the Union or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and the Union’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the executive council’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Union’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and / or Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the executive council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.
Director: B Deegan
Registered Auditor
Cape Town
03 April 2019
### Statements of Financial Position

**As at 31 December 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group</th>
<th>2018</th>
<th>2017</th>
<th>Union</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>R</td>
<td>R</td>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>5</td>
<td>10,364,141</td>
<td>26,844,126</td>
<td>9,134,186</td>
<td>9,623,227</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>6</td>
<td>1,141,411</td>
<td>1,241,342</td>
<td>1,141,411</td>
<td>1,241,342</td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>51</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Investments in associates</td>
<td>8</td>
<td>7,506,998</td>
<td>5,035,741</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>17,595,362</td>
<td>21,911,282</td>
<td>17,595,362</td>
<td>21,911,282</td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td>10</td>
<td>59,655,416</td>
<td>76,657,966</td>
<td>59,638,616</td>
<td>76,617,366</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>96,263,328</td>
<td>131,690,457</td>
<td>87,509,626</td>
<td>109,393,268</td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>11</td>
<td>5,712,437</td>
<td>13,570,645</td>
<td>5,712,437</td>
<td>13,570,645</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>147,434,144</td>
<td>176,052,250</td>
<td>147,628,031</td>
<td>208,279,556</td>
<td></td>
</tr>
<tr>
<td>Derivatives</td>
<td>12</td>
<td>1,793,337</td>
<td>-</td>
<td>1,793,337</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>10,740,997</td>
<td>6,920,147</td>
<td>899,243</td>
<td>320,197</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>165,680,915</td>
<td>198,543,042</td>
<td>156,033,048</td>
<td>222,170,358</td>
<td></td>
</tr>
<tr>
<td><strong>Equity and Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity Attributable to Equity Holders of Parent</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial reserve</td>
<td></td>
<td>9,374,000</td>
<td>5,818,000</td>
<td>9,374,000</td>
<td>5,818,000</td>
<td></td>
</tr>
<tr>
<td>Retained income</td>
<td></td>
<td>(504,744)</td>
<td>(2,790,229)</td>
<td>8,453,204</td>
<td>9,935,359</td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>8,869,256</td>
<td>3,027,771</td>
<td>17,827,204</td>
<td>15,753,359</td>
<td></td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td></td>
<td>959,447</td>
<td>934,585</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>9,828,703</td>
<td>3,962,356</td>
<td>17,827,204</td>
<td>15,753,359</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post employment healthcare benefits</td>
<td>14</td>
<td>17,251,000</td>
<td>17,868,000</td>
<td>17,251,000</td>
<td>17,868,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>28,466,202</td>
<td>40,522,487</td>
<td>28,466,202</td>
<td>40,522,487</td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>120,980,727</td>
<td>174,878,374</td>
<td>94,580,657</td>
<td>164,640,992</td>
<td></td>
</tr>
<tr>
<td>Loan from related entity</td>
<td></td>
<td>-</td>
<td>2,318</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Post employment healthcare benefits</td>
<td>14</td>
<td>420,000</td>
<td>326,000</td>
<td>420,000</td>
<td>326,000</td>
<td></td>
</tr>
<tr>
<td>Deferred income</td>
<td>15</td>
<td>33,930,357</td>
<td>22,704,766</td>
<td>33,930,357</td>
<td>22,529,766</td>
<td></td>
</tr>
<tr>
<td>Current tax payable</td>
<td></td>
<td>-</td>
<td>46,136</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13</td>
<td>68,318,254</td>
<td>87,791,062</td>
<td>68,318,254</td>
<td>87,791,062</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>223,649,338</td>
<td>285,748,656</td>
<td>197,249,268</td>
<td>275,287,820</td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity and Liabilities</strong></td>
<td></td>
<td>262,115,540</td>
<td>326,271,143</td>
<td>225,715,470</td>
<td>315,810,307</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>261,944,243</td>
<td>330,233,499</td>
<td>243,542,674</td>
<td>331,563,666</td>
<td></td>
</tr>
</tbody>
</table>
### STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Notes</th>
<th>Group 2018 R</th>
<th>2017 R</th>
<th>Union 2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>18</td>
<td>1,263,620,767</td>
<td>1,153,679,814</td>
<td>1,235,974,878</td>
</tr>
<tr>
<td>Other operating income</td>
<td>19</td>
<td>38,017,841</td>
<td>91,598,167</td>
<td>25,947,867</td>
</tr>
<tr>
<td>Other operating losses</td>
<td>20</td>
<td>(4,491,410)</td>
<td>(1,549,349)</td>
<td>(4,484,455)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td></td>
<td>(1,281,176,193)</td>
<td>(1,283,798,021)</td>
<td>(1,242,188,772)</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>21</td>
<td>15,971,005</td>
<td>(40,069,389)</td>
<td>15,249,518</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td>4,116,029</td>
<td>2,893,231</td>
<td>3,491,833</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(3,244,756)</td>
<td>(7,375,402)</td>
<td>(3,244,756)</td>
</tr>
<tr>
<td>Income from equity accounted</td>
<td></td>
<td>2,471,257</td>
<td>1,609,136</td>
<td>-</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) before taxation</td>
<td></td>
<td>19,313,535</td>
<td>(42,942,424)</td>
<td>15,496,595</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>24</td>
<td>(17,003,188)</td>
<td>(19,478,352)</td>
<td>(16,978,750)</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td></td>
<td>2,310,347</td>
<td>(62,420,776)</td>
<td>(1,482,155)</td>
</tr>
</tbody>
</table>

### Other comprehensive income:

**Items that will not be reclassified to profit or loss:**

<table>
<thead>
<tr>
<th>Actuarial gain</th>
<th>3,556,000</th>
<th>-</th>
<th>3,556,000</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income for the year net of taxation</td>
<td>3,556,000</td>
<td>-</td>
<td>3,556,000</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total comprehensive income (loss) for the year**

| 5,866,347 | (62,420,776) | 2,073,845 | (52,826,417) |

### Profit/ (loss) attributable to:

**Owners of the parent**

| 2,285,485 | (62,568,100) | (1,482,155) | (52,826,417) |
| 24,862    | 147,324     | -          | -            |

| 2,310,347 | (62,420,776) | (1,482,155) | (52,826,417) |

**Total comprehensive income/ (loss) attributable to:**

**Owners of the parent**

| 5,841,485 | (62,568,100) | 2,073,845 | (52,826,417) |
| 24,862    | 147,324     | -         | -            |

| 5,866,347 | (62,420,776) | 2,073,845 | (52,826,417) |
## STATEMENTS OF CHANGES IN EQUITY

<table>
<thead>
<tr>
<th></th>
<th>Actuarial reserve</th>
<th>Retained income</th>
<th>Attributable to the Union</th>
<th>Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 01 January 2017</td>
<td>-</td>
<td>65,595,871</td>
<td>65,595,871</td>
<td>787,261</td>
<td>66,383,132</td>
</tr>
<tr>
<td>(Loss)/ profit for the year</td>
<td>-</td>
<td>(62,568,100)</td>
<td>(62,568,100)</td>
<td>147,324</td>
<td>(62,420,776)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive (loss)/ income for the year</td>
<td>-</td>
<td>(62,568,100)</td>
<td>(62,568,100)</td>
<td>147,324</td>
<td>(62,420,776)</td>
</tr>
<tr>
<td>Opening balance</td>
<td>-</td>
<td>3,027,771</td>
<td>3,027,771</td>
<td>934,586</td>
<td>3,962,356</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification (Note 30)</td>
<td>5,818,000</td>
<td>(5,818,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 01 January 2018</strong></td>
<td>5,818,000</td>
<td>(2,790,229)</td>
<td>3,027,771</td>
<td>934,586</td>
<td>3,962,356</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>2,285,485</td>
<td>2,285,485</td>
<td>24,862</td>
<td>2,310,347</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>3,556,000</td>
<td>-</td>
<td>3,556,000</td>
<td>-</td>
<td>3,556,000</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>3,556,000</td>
<td>2,285,485</td>
<td>5,841,485</td>
<td>24,862</td>
<td>5,866,347</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>9,374,000</td>
<td>(504,744)</td>
<td>8,869,256</td>
<td>959,447</td>
<td>9,828,703</td>
</tr>
<tr>
<td><strong>Union</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 01 January 2017</td>
<td>-</td>
<td>68,579,776</td>
<td>68,579,776</td>
<td>-</td>
<td>68,579,776</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(52,826,417)</td>
<td>(52,826,417)</td>
<td>-</td>
<td>(52,826,417)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>(52,826,417)</td>
<td>(52,826,417)</td>
<td>-</td>
<td>(52,826,417)</td>
</tr>
<tr>
<td>Opening balance</td>
<td>-</td>
<td>15,753,359</td>
<td>15,753,359</td>
<td>-</td>
<td>15,753,359</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification (Note 30)</td>
<td>5,818,000</td>
<td>(5,818,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance at 01 January 2018</strong></td>
<td>5,818,000</td>
<td>9,935,359</td>
<td>15,753,359</td>
<td>-</td>
<td>15,753,359</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>(1,482,155)</td>
<td>(1,482,155)</td>
<td>-</td>
<td>(1,482,155)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>3,556,000</td>
<td>-</td>
<td>3,556,000</td>
<td>-</td>
<td>3,556,000</td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>3,556,000</td>
<td>(1,482,155)</td>
<td>2,073,845</td>
<td>-</td>
<td>2,073,845</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>9,374,000</td>
<td>8,453,204</td>
<td>17,827,204</td>
<td>-</td>
<td>17,827,204</td>
</tr>
</tbody>
</table>
# South African Rugby Union

Voluntary Association of persons

## Statements of Cash Flow

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
<td>25</td>
<td>26</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>25,978,583</td>
<td>20,237,451</td>
<td>22,844,484</td>
<td>19,774,542</td>
</tr>
<tr>
<td>Finance income</td>
<td>4,116,029</td>
<td>2,893,231</td>
<td>3,491,833</td>
<td>2,539,717</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(3,244,756)</td>
<td>(7,375,402)</td>
<td>(3,244,756)</td>
<td>(7,374,328)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(46,774)</td>
<td>(2,929,744)</td>
<td>(2,919,788)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>26,803,082</td>
<td>12,825,536</td>
<td>23,091,561</td>
<td>12,020,143</td>
</tr>
</tbody>
</table>

## Cash flows from investing activities

| Purchase of property, plant and equipment | 5   | (3,565,806) | (925,570) | (3,098,407) | (883,145) |
| Proceeds from the sale of property, plant and equipment | 5   | 58,700    | 59,406    | 58,700    | 59,406    |
| (Repayment of)/ proceeds from loan from related entity | (2,318) | 2,318 | - | - |

**Net cash from investing activities** | (3,509,424) | (863,846) | (3,039,707) | (823,739) |

## Total cash movement for the year

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>23,293,658</td>
<td>11,961,690</td>
</tr>
<tr>
<td>(80,870,915)</td>
<td>(92,832,605)</td>
</tr>
<tr>
<td><strong>Total cash at end of the year</strong></td>
<td>(57,577,257)</td>
</tr>
</tbody>
</table>
ACCOUNTING POLICIES

1. Significant accounting policies

South African Rugby Union is a Union established and domiciled in South Africa. The address of its registered office and principal place of business is SARU House, Tygerberg Park, 163 Uys Krige Drive, Plattekloof, 7500. Their principal activity is the promotion, development and support of all levels of rugby in South Africa.

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

The principal accounting policies applied in the preparation of these consolidated and separate consolidated financial statements are set out below.

These accounting policies are consistent with those of the prior year, except for the changes set out in note 2 - Changes in accounting policies.

1.1 Consolidation

Basis of consolidation

The consolidated and separate financial statements incorporate the financial statements of the Union and all entities controlled by the Union.

Control exists when the Union has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The results of subsidiaries are included in the consolidated and separate financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group’s interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Union.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the Union.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.
1.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures

An interest in a joint venture is accounted for using the equity method. Under the equity method, interests in joint ventures are carried in the statements of financial position at cost adjusted for post acquisition changes in the company’s share of net assets of the joint venture, less any impairment losses.

The Group’s share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in a joint venture in excess of the Group’s interest in that joint venture, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the joint venture.

Any goodwill on acquisition of a joint venture is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and a joint venture are eliminated to the extent of the Group’s interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Union loses joint control, the company proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.3 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method. Under the equity method, investments in associates are carried in the Statements of Financial Position at cost adjusted for post-acquisition changes in the Group’s share of net assets of the associate, less any impairment losses.

The Group’s share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group’s interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.
1.3 Investments in associates (continued)

Profits or losses on transactions between the group and an associate are eliminated to the extent of the Group’s interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. 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 estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Estimates of residual values and useful lives of property, plant and equipment and intangible assets

The Group reassesses annually the residual values and remaining useful lives of significant assets. The residual values of these assets have been estimated as the amount that the Group would currently obtain from the disposal of each significant asset, in its location, if the asset was already of the age and in the condition expected at the end of its useful life. The useful life is estimated as the period over which an asset is expected to be available for use by the Group.

Trade receivables

The Union assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Union makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios and other indicators present at the reporting date that correlate with defaults on the portfolio.

Taxes

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the statement of comprehensive income tax provisions in the period in which such determination is made.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.
1.5 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Depreciation method</th>
<th>Average useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles</td>
<td>Straight line</td>
<td>3 - 5 years</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>Straight line</td>
<td>3 - 8 years</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>Straight line</td>
<td>3 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Straight line</td>
<td>Period of lease</td>
</tr>
</tbody>
</table>

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.
1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademarks</td>
<td>20 years</td>
</tr>
</tbody>
</table>

1.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.8 Financial instruments - IFRS 9

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost.

Note 4 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.
1.8 Financial instruments - IFRS 9 (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT, deposits and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group’s business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest rate method

For receivables which contain a significant financing component, interest income is calculated using the effective interest rate method, and is included in profit or loss in finance income (note 22).

The application of the effective interest rate method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.
1.8 Financial instruments - IFRS 9 (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT, deposits and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables which do not contain a significant financing component at an amount equal to lifetime expected credit losses (lifetime ECL). The loss allowance for all other trade and other receivables is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL to trade and other receivables which do have a significant financing component, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a receivable being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a receivable or group of receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the credit risk on a receivable is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a receivable is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group considers that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.
1.8 Financial instruments - IFRS 9 (continued)

Measurement and recognition of expected credit losses

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated individually for each specific debtor using past default experience for each debtor and also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The provision is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 21).

Credit risk

Details of credit risk are included in the trade and other receivables note (note 9) and the financial instruments and risk management note (note 4).

Non-hedging derivatives

Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

The Group enters into a variety of derivative financial instruments in order to manage its exposure to foreign exchange risk and cash flow interest rate risk. Derivatives held by the Group which are not in designated hedging relationships, include forward exchange contracts. (Note 12)

Recognition and measurement

Derivatives are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Loan from related entity

Classification

Loan from related entity is classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Loan from related party is recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.
1.8 Financial instruments - IFRS 9 (continued)

Interest expense, calculated on the effective interest rate method, is included in profit or loss in finance costs (note 23.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 4 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 16), excluding VAT and deferred income, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest rate method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 23).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 4 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.9 Financial instruments: IAS 39 comparatives

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.
1.9 Financial instruments: IAS 39 comparatives (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or Group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loan from related party

Loan from related party is recognised initially at fair value plus direct transaction costs.

Loan from related party is classified as financial liabilities measured at amortised cost.
1.9 Financial instruments: IAS 39 comparatives (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
1.10 Tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Consumables are carried at historical cost unless the items are considered to be obsolete.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.13 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.
1.13 Impairment of assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.14 Employee benefits

Pension Obligations

The Group's employees are members of The Rugby Pension Fund. The fund is generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The fund has a defined contribution plan and a defined benefit plan.

A defined contribution plan is a pension plan under which the employer and employee pays fixed contributions into the fund. The Group has no legal or constructive obligations to pay further contributions to the fund.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses once they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

A defined benefit plan is a pension plan under which the employer and employees pays fixed contributions into the fund. Defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and level of remuneration prior to retirement.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognised past-service costs.
1.14 Impairment of non-financial assets (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit and loss in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Short-term employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Other post-employment obligations

The Group provides post-retirement healthcare benefits to certain of its retirees employed prior to 1 July 2012. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued regularly by independent qualified actuaries.

1.15 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.
1.15 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.16 Revenue from contracts with customers

The Group recognises revenue from the following major sources:
- Sales of sports goods
- Sponsorship income
- Sales of broadcasting rights
- Interest income
- Royalty income
- Test hosting fee

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of sports goods

Revenue from the sale of sports goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sponsorship income

Long term sponsorship income is recognised on the basis of either apportionment over time, or apportionment over the number of matches completed if the sponsorship income relates to a specific tournament. Deferred revenue is recognised when the consideration received, is in respect of future periods.

Product sponsorships are also accounted for. Where the product has an economic benefit of some duration, the carrying value is capitalised and amortised over the useful life of the asset. Where the benefit relates only to the current period, the product is expensed (i.e. the net effect on the accounting records is nil).

Sales of broadcasting rights

Proceeds from the sale of broadcasting rights are accounted for on a due and payable basis. Deferred revenue is recognised in respect of broadcasting rights, when the consideration received is in respect of competitions that are to be broadcasted in future financial periods.
1.16 Revenue from contracts with customers (continued)

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Test hosting fee

Provincial Unions are charged a fee for the right to host Springbok test matches. For away test matches a fee is charged to the host national entity. Revenue is recognised on the day of the event as the fee falls due and payable.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated and separate financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated and separate financial statements are presented in Rand which is the Group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated and separate financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.
2. Changes in accounting policies

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year, except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Group’s financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 January 2018. Comparatives in relation to instruments that have not been derecognised as at 01 January 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other debt investments and equity investments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

The Group may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.
2. Changes in accounting policies (continued)

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The Executive Council reviewed and assessed the Group’s existing financial assets as at 01 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group’s financial assets as regards to their classification and measurement:

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

As at 01 January 2018, the Group reviewed and assessed the Group’s existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 January 2017 and 01 January 2018. The result of the assessment indicated no material change in the loss allowance. As such, no adjustments have been made to retained earnings.

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

There has been no change in classification or measurement categories under IFRS 9.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the Group financial statements are described below. Refer to the revenue accounting policy for additional details (Note 1.16).

The Group has applied IFRS 15 with an initial date of application of 01 January 2018 in accordance with the fully retrospective transitional approach, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 January 2018. The comparative information has therefore not been restated. There have been no material changes under IFRS 15. As such no adjustment has been made to retained earnings.
3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

<table>
<thead>
<tr>
<th>Standard/ Interpretation:</th>
<th>Effective date: Years beginning on or after</th>
<th>Expected impact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• IFRS 9 Financial Instruments</td>
<td>01 January 2018</td>
<td>The impact of the standard is set out in note 2 Changes in accounting policy.</td>
</tr>
<tr>
<td>• IFRS 15 Revenue from Contracts with Customers</td>
<td>01 January 2018</td>
<td>The impact of the standard is set out in note 2 Changes in accounting policy.</td>
</tr>
<tr>
<td>• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers</td>
<td>01 January 2018</td>
<td>The impact of the standard is set out in note 2 Changes in accounting policy.</td>
</tr>
<tr>
<td>• Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions</td>
<td>01 January 2018</td>
<td>The impact of the standard is not material.</td>
</tr>
<tr>
<td>• Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</td>
<td>01 January 2018</td>
<td>The impact of the standard is not material.</td>
</tr>
</tbody>
</table>

3.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group’s accounting periods beginning on or after 01 January 2019 or later periods:

<table>
<thead>
<tr>
<th>Standard/ Interpretation:</th>
<th>Effective date: Years beginning on or after</th>
<th>Expected impact:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</td>
<td>01 January 2019</td>
<td>Unlikely there will be a material impact</td>
</tr>
<tr>
<td>• IFRS 16 Leases</td>
<td>01 January 2019</td>
<td>Unlikely there will be a material impact</td>
</tr>
</tbody>
</table>
4. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>Fair value through profit or loss - Mandatory</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives - non-hedging</td>
<td>12</td>
<td>1,793,337</td>
<td>-</td>
<td>1,793,337</td>
<td>1,793,337</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>-</td>
<td>10,740,997</td>
<td>10,740,997</td>
<td>10,740,997</td>
</tr>
<tr>
<td>Group - 2018</td>
<td></td>
<td></td>
<td></td>
<td>1,793,337</td>
<td>156,011,384</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>180,117,171</td>
<td>180,117,171</td>
<td>180,117,171</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>6,920,147</td>
<td>6,920,147</td>
<td>6,920,147</td>
</tr>
<tr>
<td>Group - 2017</td>
<td></td>
<td></td>
<td>187,037,318</td>
<td>187,037,318</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>Fair value through profit or loss - Mandatory</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivatives - non-hedging</td>
<td>12</td>
<td>1,793,337</td>
<td>-</td>
<td>1,793,337</td>
<td>1,793,337</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>-</td>
<td>145,966,360</td>
<td>145,966,360</td>
<td>145,966,360</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>-</td>
<td>899,243</td>
<td>899,243</td>
<td>899,243</td>
</tr>
<tr>
<td>Union - 2018</td>
<td></td>
<td></td>
<td></td>
<td>1,793,337</td>
<td>146,865,603</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>210,682,168</td>
<td>210,682,168</td>
<td>210,682,168</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>13</td>
<td>320,197</td>
<td>320,197</td>
<td>320,197</td>
</tr>
<tr>
<td>Union - 2017</td>
<td></td>
<td></td>
<td>211,002,365</td>
<td>211,002,365</td>
</tr>
</tbody>
</table>

76 SOUTH AFRICAN RUGBY UNION | ANNUAL REPORT 2018
**4. Financial instruments and risk management (continued)**

**Categories of financial liabilities**

**Group - 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>120,980,727</td>
<td>120,980,727</td>
<td>12,980,727</td>
</tr>
<tr>
<td>13</td>
<td>68,318,254</td>
<td>68,318,254</td>
<td>68,318,254</td>
</tr>
</tbody>
</table>

Total: **189,298,981**

**Group - 2017**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>174,878,374</td>
<td>174,878,374</td>
<td>174,878,374</td>
</tr>
<tr>
<td>2,318</td>
<td></td>
<td>2,318</td>
<td>2,318</td>
</tr>
<tr>
<td>13</td>
<td>87,791,062</td>
<td>87,791,062</td>
<td>87,791,062</td>
</tr>
</tbody>
</table>

Total: **262,671,754**

**Union - 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>94,580,657</td>
<td>94,580,657</td>
<td>94,580,657</td>
</tr>
<tr>
<td>13</td>
<td>68,318,254</td>
<td>68,318,254</td>
<td>68,318,254</td>
</tr>
</tbody>
</table>

Total: **162,898,911**

**Union - 2017**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>164,640,992</td>
<td>164,640,992</td>
<td>164,640,987</td>
</tr>
<tr>
<td>13</td>
<td>87,791,062</td>
<td>87,791,062</td>
<td>87,791,062</td>
</tr>
</tbody>
</table>

Total: **252,432,054**
4. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets and liabilities

<table>
<thead>
<tr>
<th>Group - 2018</th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recognised in profit or loss:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>22</td>
<td>4,116,029</td>
<td>4,116,029</td>
</tr>
<tr>
<td>Finance costs</td>
<td>23</td>
<td>(3,244,756)</td>
<td>(3,244,756)</td>
</tr>
<tr>
<td><strong>Net gains</strong></td>
<td></td>
<td>871,273</td>
<td>871,273</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group - 2017</th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recognised in profit or loss:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>22</td>
<td>2,893,231</td>
<td>2,893,231</td>
</tr>
<tr>
<td>Finance costs</td>
<td>23</td>
<td>(7,375,402)</td>
<td>(7,375,402)</td>
</tr>
<tr>
<td><strong>Net losses</strong></td>
<td></td>
<td>(4,482,171)</td>
<td>(4,482,171)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union - 2018</th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recognised in profit or loss:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>22</td>
<td>3,491,833</td>
<td>3,491,833</td>
</tr>
<tr>
<td>Finance costs</td>
<td>23</td>
<td>(3,244,756)</td>
<td>(3,244,756)</td>
</tr>
<tr>
<td><strong>Net gains</strong></td>
<td></td>
<td>247,077</td>
<td>247,077</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Union - 2017</th>
<th>Notes</th>
<th>Amortised cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recognised in profit or loss:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>22</td>
<td>2,539,717</td>
<td>2,539,717</td>
</tr>
<tr>
<td>Finance costs</td>
<td>23</td>
<td>(7,374,328)</td>
<td>(7,374,328)</td>
</tr>
<tr>
<td><strong>Net losses</strong></td>
<td></td>
<td>(4,834,611)</td>
<td>(4,834,611)</td>
</tr>
</tbody>
</table>
4. Financial instruments and risk management (continued)

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The Executive Council has overall responsibility for the establishment and oversight of the Group’s risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the Group’s risk management policies. The committee reports quarterly to the Executive Council on its activities.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on trade and other receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by the financial committee. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.
4. Financial instruments and risk management (continued)

Management apply the principle that if a financial asset’s credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer operates, period for which the customer has been operating, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is “past due” information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.
4. Financial instruments and risk management (continued)

The maximum exposure to credit risk is presented in the table below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Notes</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gross carrying amount</td>
<td>Credit loss allowance</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>163,273,740</td>
<td>(18,003,353)</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>10,740,997</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>174,014,737</strong></td>
<td><strong>(18,003,353)</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>9</td>
<td>202,685,965</td>
<td>(56,719,605)</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>899,243</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>203,585,208</strong></td>
<td><strong>(56,719,605)</strong></td>
</tr>
</tbody>
</table>
4. Financial instruments and risk management (continued)

Liquidity risk

The Group has a number of short term deposits with banks and also a number of loans granted to the Provincial Unions which result in risk from interest rate changes. The interest rates charged on these assets are linked to the prime overdraft lending rate. A 2% increase/decrease in the prime interest rate would result in a R 548,362 (2017: R 509,402) change in the interest.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

**Group - 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Less than 1 year</th>
<th>Total</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>120,980,727</td>
<td>120,980,727</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13</td>
<td>68,318,254</td>
<td>68,318,254</td>
</tr>
</tbody>
</table>

**Group - 2017**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Less than 1 year</th>
<th>Total</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>174,878,375</td>
<td>174,878,375</td>
</tr>
<tr>
<td>Loan from related entity</td>
<td></td>
<td>2,318</td>
<td>2,318</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13</td>
<td>87,791,062</td>
<td>87,791,062</td>
</tr>
</tbody>
</table>

**Union - 2018**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Less than 1 year</th>
<th>Total</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>94,580,657</td>
<td>94,580,657</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13</td>
<td>68,318,254</td>
<td>68,318,254</td>
</tr>
</tbody>
</table>

**Union - 2017**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Less than 1 year</th>
<th>Total</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>16</td>
<td>164,640,992</td>
<td>164,640,992</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>13</td>
<td>87,791,062</td>
<td>87,791,062</td>
</tr>
</tbody>
</table>

**Foreign currency risk**

The Group had no balances in foreign currency at year end.
5. Property, plant and equipment

<table>
<thead>
<tr>
<th>Group</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>11,341,735</td>
<td>(8,890,648)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>991,144</td>
<td>(917,880)</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>12,784,415</td>
<td>(10,053,581)</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>8,646,662</td>
<td>(3,537,706)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,763,956</strong></td>
<td><strong>(23,399,815)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>9,591,392</td>
<td>(8,033,188)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>991,144</td>
<td>(917,880)</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>12,095,789</td>
<td>(9,702,027)</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>8,646,662</td>
<td>(3,537,706)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,324,987</strong></td>
<td><strong>(22,190,801)</strong></td>
</tr>
</tbody>
</table>

Reconciliation of property, plant and equipment - Group - 2018

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Depreciation</th>
<th>Impairment*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>3,352,782</td>
<td>1,080,863</td>
<td>(1,982,558)</td>
<td>-</td>
<td>2,451,087</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>160,459</td>
<td>- (87,195)</td>
<td>-</td>
<td>73,264</td>
<td></td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>1,664,085</td>
<td>2,484,943</td>
<td>(1,418,194)</td>
<td>-</td>
<td>2,730,834</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>21,666,800</td>
<td>- (3,473,651)</td>
<td>(13,084,193)</td>
<td>5,108,956</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26,844,126</strong></td>
<td><strong>3,565,806</strong></td>
<td><strong>(6,961,598)</strong></td>
<td><strong>(13,084,193)</strong></td>
<td><strong>10,364,141</strong></td>
</tr>
</tbody>
</table>

Reconciliation of property, plant and equipment - Group - 2017

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>5,044,403</td>
<td>435,238</td>
<td>(2,126,859)</td>
<td>3,352,782</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>358,769</td>
<td>-</td>
<td>(198,310)</td>
<td>160,459</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>2,494,692</td>
<td>490,332</td>
<td>(1,320,939)</td>
<td>1,664,085</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>25,397,687</td>
<td>- (3,730,887)</td>
<td>21,666,800</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,295,551</strong></td>
<td><strong>925,570</strong></td>
<td><strong>(7,376,995)</strong></td>
<td><strong>26,844,126</strong></td>
</tr>
</tbody>
</table>
5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Union - 2018

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>2,452,501</td>
<td>927,563</td>
<td>(1,821,860)</td>
<td>1,558,204</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>160,459</td>
<td>-</td>
<td>(87,195)</td>
<td>73,264</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>1,551,685</td>
<td>2,170,844</td>
<td>(1,328,767)</td>
<td>2,393,762</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5,458,562</td>
<td>-</td>
<td>(349,626)</td>
<td>5,108,936</td>
</tr>
<tr>
<td></td>
<td>9,623,227</td>
<td>3,098,407</td>
<td>(3,587,448)</td>
<td>9,134,186</td>
</tr>
</tbody>
</table>

Reconciliation of property, plant and equipment - Union - 2017

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Additions</th>
<th>Depreciation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>3,882,341</td>
<td>541,069</td>
<td>(1,970,909)</td>
<td>2,452,501</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>358,769</td>
<td>-</td>
<td>(198,310)</td>
<td>160,459</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>2,460,181</td>
<td>342,076</td>
<td>(1,250,572)</td>
<td>1,551,685</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>5,808,209</td>
<td>-</td>
<td>(349,627)</td>
<td>5,458,562</td>
</tr>
<tr>
<td></td>
<td>12,509,500</td>
<td>883,145</td>
<td>(3,769,418)</td>
<td>9,623,227</td>
</tr>
</tbody>
</table>

* The impairment is as a result of the closing down of the Springbok Trust Museum. Refer to note 32.

6. Intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated amortisation</td>
</tr>
<tr>
<td>Trademark</td>
<td>2,000,000</td>
<td>(858,589)</td>
</tr>
</tbody>
</table>

Reconciliation of intangible assets - Group and Union - 2018

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Amortisation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark</td>
<td>1,241,342</td>
<td>(99,931)</td>
<td>1,141,411</td>
</tr>
</tbody>
</table>

Reconciliation of intangible assets - Group and Union - 2017

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Amortisation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trademark</td>
<td>1,341,273</td>
<td>(99,931)</td>
<td>1,241,342</td>
</tr>
</tbody>
</table>
7. Investments in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>% holding 2018</th>
<th>% holding 2017</th>
<th>Carrying amount 2018</th>
<th>Carrying amount 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Springbok Supporters Club Proprietary Limited</td>
<td>51 %</td>
<td>51 %</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>The Rugby Educational Foundation NPC</td>
<td>100 %</td>
<td>100 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SA Super Rugby Proprietary Limited</td>
<td>100 %</td>
<td>100 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>South African Rugby Heritage Trust</td>
<td>100 %</td>
<td>100 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>51</td>
<td>51</td>
</tr>
</tbody>
</table>

The carrying amount of the subsidiaries is shown net of impairment losses, where necessary.

8. Investments in associates

The following table lists all of the associates in the Group:

<table>
<thead>
<tr>
<th>Group</th>
<th>% ownership interest 2018</th>
<th>% ownership interest 2017</th>
<th>Carrying amount 2018</th>
<th>Carrying amount 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>33.3 %</td>
<td>33.3 %</td>
<td>3,091,598</td>
<td>2,808,006</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>33.3 %</td>
<td>33.3 %</td>
<td>4,415,400</td>
<td>2,227,735</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7,506,998</td>
<td>5,035,741</td>
</tr>
</tbody>
</table>

The carrying amounts of associates are shown net of impairment losses, where necessary.

Included in the statement of comprehensive income is South African Rugby Union's share of income made by the investments, described as income from equity accounted investments of R 2,471,257 (2017: R 1,609,136).
## Notes to the Consolidated and Separate Financial Statements Continued

### 8. Investments in associates (continued)

#### Summarised financial information of associates and joint arrangements

**2018**

<table>
<thead>
<tr>
<th></th>
<th>Revenue R</th>
<th>Profit R</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>42,389,430</td>
<td>1,457,286</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>424,666,145</td>
<td>3,684,172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>467,055,575</strong></td>
<td><strong>5,141,458</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Assets R</th>
<th>Liabilities R</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>40,258,922</td>
<td>30,992,298</td>
<td>9,266,624</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>1,177,374,217</td>
<td>1,132,186,350</td>
<td>45,187,867</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,217,633,139</strong></td>
<td><strong>1,163,178,646</strong></td>
<td><strong>54,454,491</strong></td>
</tr>
</tbody>
</table>

**Reconciliation of net assets to equity accounted investments in associates**

<table>
<thead>
<tr>
<th></th>
<th>Total net assets R</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>9,266,624</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>45,187,867</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,454,491</strong></td>
</tr>
</tbody>
</table>

**2017**

<table>
<thead>
<tr>
<th></th>
<th>Revenue R</th>
<th>Profit R</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>42,116,753</td>
<td>2,093,613</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>440,265,167</td>
<td>832,474</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>482,381,920</strong></td>
<td><strong>2,926,087</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Assets R</th>
<th>Liabilities R</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>25,175,799</td>
<td>17,212,509</td>
<td>7,963,190</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>1,439,853,946</td>
<td>1,404,732,611</td>
<td>35,121,335</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,465,029,745</strong></td>
<td><strong>1,421,945,220</strong></td>
<td><strong>43,084,525</strong></td>
</tr>
</tbody>
</table>

**Reconciliation of net assets to equity accounted investments in associates**

<table>
<thead>
<tr>
<th></th>
<th>Total net assets R</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANZAR Proprietary Limited</td>
<td>7,963,190</td>
</tr>
<tr>
<td>SANZAR Europe S.a.r.l</td>
<td>35,121,335</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,084,525</strong></td>
</tr>
</tbody>
</table>
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

9. Trade and other receivables

Financial instruments:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>82,489,522</td>
<td>56,716,493</td>
<td>72,877,632</td>
<td>42,068,467</td>
</tr>
<tr>
<td>Loan receivables from Provincial Unions</td>
<td>27,751,619</td>
<td>28,720,168</td>
<td>27,751,619</td>
<td>28,720,168</td>
</tr>
<tr>
<td>Trade receivables from Provincial Unions</td>
<td>19,323,614</td>
<td>16,433,024</td>
<td>19,323,614</td>
<td>16,433,024</td>
</tr>
<tr>
<td>The South African Rugby Heritage Trust</td>
<td>-</td>
<td>-</td>
<td>20,205,108</td>
<td>17,988,110</td>
</tr>
<tr>
<td>SA Super Rugby Proprietary Limited</td>
<td>-</td>
<td>-</td>
<td>45,125,960</td>
<td>32,555,125</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(18,003,353)</td>
<td>(7,819,469)</td>
<td>(56,719,605)</td>
<td>(13,251,469)</td>
</tr>
<tr>
<td>Trade receivables at amortised cost</td>
<td>111,561,402</td>
<td>94,050,216</td>
<td>128,564,328</td>
<td>124,513,445</td>
</tr>
<tr>
<td>SA Rugby Travel</td>
<td>16,307,057</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SANZAR Travel</td>
<td>643,541</td>
<td>-</td>
<td>643,541</td>
<td>-</td>
</tr>
<tr>
<td>The Rugby Education Foundation NPC</td>
<td>-</td>
<td>-</td>
<td>104</td>
<td>102,002</td>
</tr>
<tr>
<td>Accrued sponsorship income</td>
<td>16,735,907</td>
<td>80,045,008</td>
<td>16,735,907</td>
<td>86,044,774</td>
</tr>
<tr>
<td>Other receivables</td>
<td>22,480</td>
<td>21,947</td>
<td>22,480</td>
<td>21,947</td>
</tr>
<tr>
<td>Financial instruments at amortised cost</td>
<td>145,270,387</td>
<td>180,117,171</td>
<td>145,966,360</td>
<td>210,682,168</td>
</tr>
</tbody>
</table>

Non-financial instruments:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>7,216,717</td>
<td>9,734,498</td>
<td>6,733,065</td>
<td>9,396,807</td>
</tr>
<tr>
<td>Deposits</td>
<td>17,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments</td>
<td>12,524,902</td>
<td>10,111,863</td>
<td>12,523,968</td>
<td>10,111,863</td>
</tr>
<tr>
<td>Total trade and other receivables</td>
<td>165,029,506</td>
<td>199,963,532</td>
<td>165,223,393</td>
<td>230,190,838</td>
</tr>
</tbody>
</table>

Split between non-current and current portions

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>17,595,362</td>
<td>21,911,282</td>
</tr>
<tr>
<td>Current assets</td>
<td>147,434,144</td>
<td>178,052,250</td>
</tr>
<tr>
<td></td>
<td>165,029,506</td>
<td>199,963,532</td>
</tr>
</tbody>
</table>

All non-current receivables relate to loan receivables from Unions which are due within two to five years. These loan receivables are unsecured, due within maximum 60 months and interest is charged based on the prime interest rate less 2%. Regarding all other receivables, there are no repayment terms and no interest is charged.

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>At amortised cost</td>
<td>145,270,387</td>
<td>180,117,171</td>
</tr>
<tr>
<td>Non-financial instruments</td>
<td>19,759,119</td>
<td>19,846,361</td>
</tr>
<tr>
<td></td>
<td>165,029,506</td>
<td>199,963,532</td>
</tr>
</tbody>
</table>

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.
9. Trade and other receivables (continued)

The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated individually for each specific debtor using past default experience for each debtor and also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

<table>
<thead>
<tr>
<th>Description</th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement Adjustments upon application of IFRS 9</td>
<td>(7,819,469)</td>
<td>(14,389,657)</td>
<td>(13,251,469)</td>
<td>(14,389,657)</td>
</tr>
<tr>
<td>Opening balance in accordance with IFRS 9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision raised on new trade receivables</td>
<td>(10,183,884)</td>
<td>(513,967)</td>
<td>(43,468,136)</td>
<td>(5,945,967)</td>
</tr>
<tr>
<td>Amounts written off</td>
<td>-</td>
<td>7,084,155</td>
<td>-</td>
<td>7,084,155</td>
</tr>
<tr>
<td>Closing balance</td>
<td>(18,003,353)</td>
<td>(7,819,469)</td>
<td>(66,719,605)</td>
<td>(13,251,469)</td>
</tr>
</tbody>
</table>
9. Trade and other receivables (continued)

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Trade and other receivables not impaired

The ageing of amounts not impaired is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 3 months</td>
<td>45,943,931</td>
<td>31,295,925</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 3 months</td>
<td>2,953,093</td>
<td>2,953,093</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>48,897,024</td>
<td>34,249,018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Included in trade and other receivables is a loan to The South African Rugby Heritage Trust. The loan is shown net of impairment. The impairment write off during 2017 was R 6,000,000 and it relates specifically to the operating deficit of the Trust. In the current year a provision of R20,205,108 has been raised on this loan. This is included in the loss allowance and represents the entire loan balance.

Also included in the loss allowance is a provision raised on the loan to SA Super Rugby Proprietary Limited of R19,385,144.

Amounts charged to the provision account are generally written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The Group does not hold any collateral as security.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies.

<table>
<thead>
<tr>
<th></th>
<th>2018 Rand</th>
<th>2017 Rand</th>
<th>2018 Rand</th>
<th>2017 Rand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rand Amount</td>
<td>145,270,387</td>
<td>180,117,171</td>
<td>145,966,360</td>
<td>210,682,168</td>
</tr>
</tbody>
</table>

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

Trade receivables have been ceded as security for the overdraft facility. Refer to note 13.
10. Deferred tax

Deferred tax liability

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>(125,876)</td>
<td>(23,951)</td>
<td>(125,876)</td>
<td>(23,951)</td>
</tr>
</tbody>
</table>

Deferred tax asset

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>1,928,440</td>
<td>1,641,990</td>
<td>1,928,440</td>
<td>1,641,990</td>
</tr>
<tr>
<td>Provisions</td>
<td>7,851,731</td>
<td>8,038,262</td>
<td>7,834,931</td>
<td>7,997,662</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>50,001,121</td>
<td>67,001,665</td>
<td>50,001,121</td>
<td>67,001,665</td>
</tr>
<tr>
<td><strong>Total deferred tax asset</strong></td>
<td><strong>59,781,292</strong></td>
<td><strong>76,681,917</strong></td>
<td><strong>59,764,492</strong></td>
<td><strong>76,641,317</strong></td>
</tr>
</tbody>
</table>

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liability</td>
<td>(125,876)</td>
<td>(23,951)</td>
<td>(125,876)</td>
<td>(23,951)</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>59,781,292</td>
<td>76,681,917</td>
<td>59,764,492</td>
<td>76,641,317</td>
</tr>
<tr>
<td><strong>Total net deferred tax asset</strong></td>
<td><strong>59,655,416</strong></td>
<td><strong>76,657,966</strong></td>
<td><strong>59,638,816</strong></td>
<td><strong>76,617,366</strong></td>
</tr>
</tbody>
</table>

Reconciliation of deferred tax asset

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year</td>
<td>76,657,966</td>
<td>100,446,107</td>
<td>76,617,366</td>
<td>100,422,307</td>
</tr>
<tr>
<td>Charge to profit or loss</td>
<td>(17,002,550)</td>
<td>(23,788,141)</td>
<td>(16,976,750)</td>
<td>(23,804,941)</td>
</tr>
<tr>
<td><strong>Total net deferred tax asset</strong></td>
<td><strong>59,655,416</strong></td>
<td><strong>76,657,966</strong></td>
<td><strong>59,638,816</strong></td>
<td><strong>76,617,366</strong></td>
</tr>
</tbody>
</table>

11. Inventories

Consumables: Apparel

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,712,437</td>
<td>13,570,645</td>
<td>5,712,437</td>
<td>13,570,645</td>
</tr>
</tbody>
</table>

12. Derivatives

Non-hedging derivatives

Foreign exchange contract

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,793,337</td>
<td>-</td>
<td>1,793,337</td>
<td>-</td>
</tr>
</tbody>
</table>

Refer to note 4: Financial instruments and risk management for further details.
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

13. Cash and cash equivalents

Cash and cash equivalents consist of:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>95,987</td>
<td>265,153</td>
<td>95,987</td>
<td>265,153</td>
</tr>
<tr>
<td>Bank and short term</td>
<td>10,645,010</td>
<td>6,654,994</td>
<td>803,256</td>
<td>55,044</td>
</tr>
<tr>
<td>deposits</td>
<td>(88,318,254)</td>
<td>(87,791,062)</td>
<td>(68,318,254)</td>
<td>(87,791,062)</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>(57,577,257)</td>
<td>(80,870,915)</td>
<td>(67,419,011)</td>
<td>(87,470,865)</td>
</tr>
</tbody>
</table>

Current assets

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>10,740,997</td>
<td>6,920,147</td>
<td>899,243</td>
<td>320,197</td>
</tr>
<tr>
<td></td>
<td>(88,318,254)</td>
<td>(87,791,062)</td>
<td>(68,318,254)</td>
<td>(87,791,062)</td>
</tr>
<tr>
<td></td>
<td>(57,577,257)</td>
<td>(80,870,915)</td>
<td>(67,419,011)</td>
<td>(87,470,865)</td>
</tr>
</tbody>
</table>

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates:

<table>
<thead>
<tr>
<th>Credit rating</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSA (A-1)</td>
<td>10,645,010</td>
<td>6,654,994</td>
<td>803,256</td>
<td>55,044</td>
</tr>
</tbody>
</table>

Exposure to currency risk

Refer to note 4: Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

Trade receivables have been ceded as security for the overdraft facility. Refer to note 9.

14. Post employment healthcare benefits

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Post employment healthcare benefits - Current portion</td>
<td>420,000</td>
<td>326,000</td>
<td>420,000</td>
<td>326,000</td>
</tr>
<tr>
<td>Post employment healthcare benefits - Non current portion</td>
<td>17,251,000</td>
<td>17,868,000</td>
<td>17,251,000</td>
<td>17,868,000</td>
</tr>
<tr>
<td>Post-employment healthcare benefits</td>
<td>17,671,000</td>
<td>18,194,000</td>
<td>17,671,000</td>
<td>18,194,000</td>
</tr>
</tbody>
</table>

The Union participates in the Discovery Health Medical Scheme and the Sizwe Medical Fund. In terms of employment contracts, post retirement healthcare benefits are provided to certain employees who joined the Union before 1 July 2012 through continued subsidisation of a portion of the medical aid contribution of those employees, once they have retired. The number of employees on the scheme as at 31 December 2018 is 54 (2017: 59).
14. Post employment healthcare benefits (continued)

A full actuarial valuation was performed for the Union as at 31 December 2018, using the projected unit credit method.

The risks faced by the Union as a result of the post-employment healthcare obligation are inflation related, due to CPI fluctuations, longevity of pensioners, future changes in legislation, future changes in the tax environment and enforcement of eligibility criteria and rules.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net liability</td>
<td>18,194,000</td>
<td>21,924,000</td>
<td>18,194,000</td>
<td>21,924,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>3,033,000</td>
<td>3,158,000</td>
<td>3,033,000</td>
<td>3,158,000</td>
</tr>
<tr>
<td>Net actuarial gains</td>
<td>(3,556,000)</td>
<td>(6,888,000)</td>
<td>(3,556,000)</td>
<td>(6,888,000)</td>
</tr>
<tr>
<td></td>
<td><strong>17,671,000</strong></td>
<td><strong>18,194,000</strong></td>
<td><strong>17,671,000</strong></td>
<td><strong>18,194,000</strong></td>
</tr>
</tbody>
</table>

**Movements for the year**

**The movement in profit or loss for the year:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>1,214,000</td>
<td>1,543,000</td>
<td>1,214,000</td>
<td>1,543,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,162,000</td>
<td>1,998,000</td>
<td>2,162,000</td>
<td>1,998,000</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(343,000)</td>
<td>(383,000)</td>
<td>(343,000)</td>
<td>(383,000)</td>
</tr>
<tr>
<td></td>
<td><strong>3,033,000</strong></td>
<td><strong>3,158,000</strong></td>
<td><strong>3,033,000</strong></td>
<td><strong>3,158,000</strong></td>
</tr>
</tbody>
</table>

**The movement in other comprehensive income for the year:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurements due to experience adjustments</td>
<td>(808,000)</td>
<td>(2,762,000)</td>
<td>(808,000)</td>
<td>(2,762,000)</td>
</tr>
<tr>
<td>Remeasurements due to changes in financial assumptions</td>
<td>(2,748,000)</td>
<td>(4,126,000)</td>
<td>(2,748,000)</td>
<td>(4,126,000)</td>
</tr>
<tr>
<td></td>
<td><strong>(3,556,000)</strong></td>
<td><strong>(6,888,000)</strong></td>
<td><strong>(3,556,000)</strong></td>
<td><strong>(6,888,000)</strong></td>
</tr>
</tbody>
</table>

**The effect of a 1% movement in the assumed medical cost trend rate is as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on the aggregate of the current service cost and interest cost due to a 1% change in healthcare cost inflation</td>
<td>Decrease 566,000</td>
<td>Increase 725,000</td>
</tr>
<tr>
<td>Effect on defined benefit obligation due to healthcare cost inflation</td>
<td>2,496,000</td>
<td>3,125,000</td>
</tr>
<tr>
<td>Effect on defined benefit obligation due to a change in the discount rate</td>
<td>3,181,000</td>
<td>2,500,000</td>
</tr>
<tr>
<td>Effect on defined benefit obligation due to a 1 year change in the expected retirement age</td>
<td>725,000</td>
<td>1,019,000</td>
</tr>
</tbody>
</table>
14. Post employment healthcare benefits (continued)

Key assumptions used

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care inflation</td>
<td>9.50 %</td>
<td>12.00 %</td>
<td>9.50 %</td>
<td>12.00 %</td>
</tr>
<tr>
<td>Discount rate</td>
<td>11.40 %</td>
<td>11.00 %</td>
<td>11.40 %</td>
<td>11.00 %</td>
</tr>
</tbody>
</table>

15. Deferred income

Deferred income comprises the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsorships</td>
<td>16,215,313</td>
<td>7,658,545</td>
<td>16,215,313</td>
<td>7,483,545</td>
</tr>
<tr>
<td>Broadcasting rights</td>
<td>24,132,184</td>
<td>33,645,605</td>
<td>24,132,184</td>
<td>33,645,605</td>
</tr>
<tr>
<td>Grants</td>
<td>4,798,062</td>
<td>4,055,103</td>
<td>4,798,062</td>
<td>4,055,103</td>
</tr>
<tr>
<td></td>
<td><strong>45,145,559</strong></td>
<td><strong>45,359,253</strong></td>
<td><strong>45,145,559</strong></td>
<td><strong>45,184,253</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>33,930,357</td>
<td>22,704,766</td>
<td>33,930,357</td>
<td>22,529,766</td>
</tr>
<tr>
<td></td>
<td><strong>45,145,559</strong></td>
<td><strong>45,359,253</strong></td>
<td><strong>45,145,559</strong></td>
<td><strong>45,184,253</strong></td>
</tr>
</tbody>
</table>

16. Trade and other payables

Financial instruments:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>37,874,221</td>
<td>64,998,737</td>
<td>37,673,690</td>
<td>63,511,528</td>
</tr>
<tr>
<td>Amounts payable to related parties</td>
<td>333,091</td>
<td>107,063</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SA Rugby Travel</td>
<td>17,540,413</td>
<td>1,628,776</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>53,233,248</td>
<td>101,497,275</td>
<td>45,145,308</td>
<td>94,482,566</td>
</tr>
<tr>
<td>Other payables</td>
<td>11,999,754</td>
<td>6,646,523</td>
<td>11,761,659</td>
<td>6,646,898</td>
</tr>
<tr>
<td></td>
<td><strong>120,980,727</strong></td>
<td><strong>174,878,374</strong></td>
<td><strong>94,580,657</strong></td>
<td><strong>164,640,992</strong></td>
</tr>
</tbody>
</table>

Exposure to currency risk

Refer to note 4: Financial instruments and financial risk management for details of currency risk management for trade payables.

Trade and other payables are all Rand denominated.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

17. Retirement benefits - Rugby Pension Fund

The Union continues to contribute to The Rugby Pension Fund which operates defined benefit and defined contribution pension schemes covering all eligible employees of the Union. The assets in the schemes are held in administered trust funds. The schemes’ assets primarily comprise listed shares, property trust units and fixed income securities. South African pension funds are governed by the Pension Funds Act 1956.

The last actuarial valuation of the defined benefit fund was performed on 31 December 2018, using the projected unit method.
**17. Retirement benefits - Rugby Pension Fund (continued)**

**Principal actuarial assumptions at the reporting date:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>11.00%</td>
<td>11.60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation rate</td>
<td>7.10%</td>
<td>8.50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary increase rate</td>
<td>8.10%</td>
<td>9.50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected return on scheme’s assets</td>
<td>11.00%</td>
<td>11.60%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension increase allowance</td>
<td>5.68%</td>
<td>6.80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mortality pre-retirement:** None.

**Mortality: post-retirement:** PA(90) ultimate table rated down 2 years plus 1% improvement p.a.

The expected return has been set equal to the discount rate as required under the revised IAS19 (AC116).

**The movement in the defined benefit obligation over the year is as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the year</td>
<td>723,000</td>
<td>720,000</td>
<td>723,000</td>
<td>720,000</td>
</tr>
<tr>
<td>Current service cost</td>
<td>28,000</td>
<td>27,000</td>
<td>28,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Member contributions</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>88,000</td>
<td>81,000</td>
<td>88,000</td>
<td>81,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Risk premiums</td>
<td>(4,000)</td>
<td>(2,000)</td>
<td>(4,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>(136,000)</td>
<td>(111,000)</td>
<td>(136,000)</td>
<td>(111,000)</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td><strong>707,000</strong></td>
<td><strong>723,000</strong></td>
<td><strong>707,000</strong></td>
<td><strong>723,000</strong></td>
</tr>
</tbody>
</table>

**The movement in the fair value of the scheme’s assets over the year is as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the year</td>
<td>1,205,000</td>
<td>1,150,000</td>
<td>1,205,000</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Expected return on the scheme’s assets</td>
<td>141,000</td>
<td>126,000</td>
<td>141,000</td>
<td>126,000</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>(270,000)</td>
<td>(97,000)</td>
<td>(270,000)</td>
<td>(97,000)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Member contributions</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Risk premiums</td>
<td>(4,000)</td>
<td>(2,000)</td>
<td>(4,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td><strong>1,100,000</strong></td>
<td><strong>1,205,000</strong></td>
<td><strong>1,100,000</strong></td>
<td><strong>1,205,000</strong></td>
</tr>
</tbody>
</table>

**Contributions as follows:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member contributions</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Risk premiums</td>
<td>(4,000)</td>
<td>(2,000)</td>
<td>(4,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
<td>(2,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,000</strong></td>
<td><strong>26,000</strong></td>
<td><strong>24,000</strong></td>
<td><strong>26,000</strong></td>
</tr>
</tbody>
</table>
17. Retirement benefits - Rugby Pension Fund (continued)

The assets of The Rugby Pension Fund were invested as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>Cash</td>
<td>4.70%</td>
<td>16.90%</td>
<td>4.70%</td>
<td>16.90%</td>
</tr>
<tr>
<td>Equity</td>
<td>31.30%</td>
<td>29.40%</td>
<td>31.30%</td>
<td>29.40%</td>
</tr>
<tr>
<td>Bonds</td>
<td>30.20%</td>
<td>22.80%</td>
<td>30.20%</td>
<td>22.80%</td>
</tr>
<tr>
<td>Property</td>
<td>8.80%</td>
<td>6.90%</td>
<td>8.80%</td>
<td>6.90%</td>
</tr>
<tr>
<td>International</td>
<td>24.90%</td>
<td>24.00%</td>
<td>24.90%</td>
<td>24.00%</td>
</tr>
<tr>
<td>Other</td>
<td>0.10%</td>
<td>0.00%</td>
<td>0.10%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

The amounts not recognised in the statement of comprehensive income are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>28,000</td>
<td>27,000</td>
<td>28,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Net interest on defined benefit</td>
<td>(17,000)</td>
<td>(23,000)</td>
<td>(17,000)</td>
<td>(23,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,000</strong></td>
<td><strong>4,000</strong></td>
<td><strong>11,000</strong></td>
<td><strong>4,000</strong></td>
</tr>
</tbody>
</table>

A surplus cannot, in terms of the surplus apportionment exercise which was performed, be apportioned to the Employer Surplus account. The employer is not entitled to receive an economic benefit in the form of refunds from the fund or reductions in future contributions to the fund in terms of paragraph 59 of IAS 19 “Employee benefits”.

Funded status

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit obligation</td>
<td>(707,000)</td>
<td>(723,000)</td>
<td>(707,000)</td>
<td>(723,000)</td>
</tr>
<tr>
<td>Asset at fair value</td>
<td>1,100,000</td>
<td>1,205,000</td>
<td>1,100,000</td>
<td>1,205,000</td>
</tr>
<tr>
<td><strong>Asset not recognised on the statement of financial position</strong></td>
<td><strong>393,000</strong></td>
<td><strong>482,000</strong></td>
<td><strong>393,000</strong></td>
<td><strong>482,000</strong></td>
</tr>
</tbody>
</table>
## 18. Revenue

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Springbok Supporters Club</td>
<td>2,186,710</td>
<td>1,346,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Broadcasting rights</td>
<td>714,607,722</td>
<td>669,759,641</td>
<td>714,607,722</td>
<td>669,759,641</td>
</tr>
<tr>
<td>World Rugby Sevens Series event</td>
<td>74,711,138</td>
<td>68,529,462</td>
<td>74,711,138</td>
<td>68,529,462</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>338,592,587</td>
<td>314,268,493</td>
<td>327,111,002</td>
<td>307,621,944</td>
</tr>
<tr>
<td>South African Heritage Trust</td>
<td>1,143,836</td>
<td>1,296,878</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Away tests</td>
<td>30,985,663</td>
<td>18,070,100</td>
<td>30,985,663</td>
<td>18,070,100</td>
</tr>
<tr>
<td>Home tests</td>
<td>76,874,938</td>
<td>59,152,943</td>
<td>76,874,938</td>
<td>59,152,943</td>
</tr>
<tr>
<td>Merchandising royalties</td>
<td>11,684,417</td>
<td>8,216,247</td>
<td>11,684,417</td>
<td>8,216,247</td>
</tr>
<tr>
<td>SA Rugby Travel</td>
<td>12,833,758</td>
<td>13,039,550</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue from contracts with customers</strong></td>
<td><strong>1,263,620,767</strong></td>
<td><strong>1,153,679,814</strong></td>
<td><strong>1,235,974,878</strong></td>
<td><strong>1,131,350,337</strong></td>
</tr>
</tbody>
</table>

### Timing of revenue recognition

- **At a point in time**
  - Sale of goods: 210,420,458, 194,256,154, 153,968,752

- **Over time**
  - Sale of goods: 1,053,200,309, 1,041,718,724, 977,381,585

**Total revenue from contracts with customers**

- 1,263,620,767, 1,153,679,814, 1,235,974,878, 1,131,350,337

## 19. Other operating income

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Group 2018</th>
<th>Group 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>British and Irish Lions tour fee</td>
<td>-</td>
<td>12,913,272</td>
</tr>
<tr>
<td>Grants from World Rugby</td>
<td>11,241,761</td>
<td>42,754,324</td>
</tr>
<tr>
<td>Government grants</td>
<td>10,499,849</td>
<td>8,195,092</td>
</tr>
<tr>
<td>Grants - other</td>
<td>1,700,921</td>
<td>13,000,000</td>
</tr>
<tr>
<td>Other income</td>
<td>14,575,310</td>
<td>14,735,479</td>
</tr>
<tr>
<td><strong>Total other operating income</strong></td>
<td><strong>38,017,841</strong></td>
<td><strong>91,598,167</strong></td>
</tr>
</tbody>
</table>

## 20. Other operating gains (losses)

<table>
<thead>
<tr>
<th>Description</th>
<th>Group 2018</th>
<th>Group 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains on disposals</td>
<td>58,700</td>
<td>58,406</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>(4,550,110)</td>
<td>(1,608,755)</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(4,491,410)</td>
<td>(1,549,349)</td>
</tr>
<tr>
<td><strong>Total other operating gains (losses)</strong></td>
<td><strong>(4,491,410)</strong></td>
<td><strong>(1,549,349)</strong></td>
</tr>
</tbody>
</table>

**Total other operating gains (losses)**

- (4,491,410), (1,549,349), (4,484,455), (1,537,326)
### CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

#### 21. Operating profit (loss)
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Auditors’ remuneration - external</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit fees</td>
<td>1,643,741</td>
<td>1,575,028</td>
<td>1,394,600</td>
<td>1,444,458</td>
</tr>
<tr>
<td>Other services</td>
<td>382,248</td>
<td>311,893</td>
<td>377,193</td>
<td>303,369</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,025,989</td>
<td>1,886,921</td>
<td>1,771,793</td>
<td>1,747,827</td>
</tr>
<tr>
<td><strong>Auditors’ remuneration - internal</strong></td>
<td>541,731</td>
<td>674,810</td>
<td>541,731</td>
<td>674,810</td>
</tr>
<tr>
<td><strong>Remuneration, other than to employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal expenses</td>
<td>3,563,332</td>
<td>3,785,044</td>
<td>3,449,881</td>
<td>3,813,487</td>
</tr>
<tr>
<td>Consulting fees</td>
<td>738,763</td>
<td>605,433</td>
<td>738,763</td>
<td>393,524</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,302,095</td>
<td>4,390,477</td>
<td>4,188,644</td>
<td>4,207,011</td>
</tr>
<tr>
<td><strong>Employee costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>234,950,598</td>
<td>191,411,217</td>
<td>189,667,387</td>
<td>166,117,171</td>
</tr>
<tr>
<td><strong>Leases</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating lease charges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premises</td>
<td>8,284,288</td>
<td>8,116,290</td>
<td>6,368,711</td>
<td>6,863,771</td>
</tr>
<tr>
<td>Equipment</td>
<td>124,345</td>
<td>411,219</td>
<td>28,201</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,408,633</td>
<td>8,527,509</td>
<td>6,396,912</td>
<td>6,863,771</td>
</tr>
<tr>
<td><strong>Depreciation, impairment and amortisation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and impairment of property, plant and equipment</td>
<td>20,045,791</td>
<td>7,376,995</td>
<td>3,587,448</td>
<td>3,769,418</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>99,931</td>
<td>99,931</td>
<td>99,931</td>
<td>99,931</td>
</tr>
<tr>
<td><strong>Total depreciation, impairment and amortisation</strong></td>
<td>20,145,722</td>
<td>7,476,926</td>
<td>3,687,379</td>
<td>3,869,349</td>
</tr>
</tbody>
</table>
## 21. Operating profit (loss) (continued)

**Operating expenses**

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcasting rights and other allocations</td>
<td>262,820,004</td>
<td>305,666,168</td>
<td>285,140,004</td>
<td>328,311,652</td>
</tr>
<tr>
<td>to provinces</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>388,040,812</td>
<td>404,505,061</td>
<td>330,197,675</td>
<td>349,575,246</td>
</tr>
<tr>
<td>Governance</td>
<td>26,777,937</td>
<td>25,595,126</td>
<td>26,777,937</td>
<td>25,595,126</td>
</tr>
<tr>
<td>Human Resources</td>
<td>12,128,727</td>
<td>37,806,119</td>
<td>12,128,727</td>
<td>37,806,119</td>
</tr>
<tr>
<td>Image rights and player insurance</td>
<td>8,378,822</td>
<td>2,474,866</td>
<td>8,378,822</td>
<td>2,474,866</td>
</tr>
<tr>
<td>Office of the CEO</td>
<td>16,131,683</td>
<td>17,069,338</td>
<td>16,131,683</td>
<td>17,069,338</td>
</tr>
<tr>
<td>Operations and finance</td>
<td>101,663,847</td>
<td>61,078,786</td>
<td>110,606,704</td>
<td>60,772,611</td>
</tr>
<tr>
<td>Referees</td>
<td>24,575,576</td>
<td>24,308,548</td>
<td>24,575,576</td>
<td>24,308,548</td>
</tr>
<tr>
<td>Rugby</td>
<td>281,576,384</td>
<td>241,302,850</td>
<td>281,576,384</td>
<td>241,302,850</td>
</tr>
<tr>
<td>SA Rugby Travel</td>
<td>12,206,300</td>
<td>12,663,205</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Performance Management</td>
<td>28,171,402</td>
<td>25,179,375</td>
<td>27,970,561</td>
<td>25,179,375</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>1,281,176,193</td>
<td>1,283,798,021</td>
<td>1,242,188,772</td>
<td>1,238,644,313</td>
</tr>
</tbody>
</table>

## 22. Finance income

**Interest received**

**Investments in financial assets:**

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank and other cash</td>
<td>1,941,413</td>
<td>408,595</td>
<td>1,317,217</td>
<td>55,081</td>
</tr>
<tr>
<td>Provincial Unions</td>
<td>2,174,616</td>
<td>2,484,636</td>
<td>2,174,616</td>
<td>2,484,636</td>
</tr>
<tr>
<td><strong>Total finance income</strong></td>
<td>4,116,029</td>
<td>2,893,231</td>
<td>3,491,833</td>
<td>2,539,717</td>
</tr>
</tbody>
</table>

## 23. Finance costs

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank overdraft</td>
<td>3,244,756</td>
<td>7,375,402</td>
<td>3,244,756</td>
<td>7,374,328</td>
</tr>
</tbody>
</table>

## 24. Income tax expense

**Major components of the income tax expense**

**Current**

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local income tax - current period</td>
<td>638</td>
<td>67,385</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local income tax - recognised in current tax for prior periods</td>
<td>- (4,377,174)</td>
<td>- (4,377,174)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>638</td>
<td>(4,309,789)</td>
<td>- (4,377,174)</td>
<td></td>
</tr>
</tbody>
</table>

**Deferred**

<table>
<thead>
<tr>
<th></th>
<th>2018 R</th>
<th>2017 R</th>
<th>2018 R</th>
<th>2017 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originating and reversing temporary differences</td>
<td>17,002,550</td>
<td>23,788,141</td>
<td>16,978,750</td>
<td>23,804,941</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,003,188</td>
<td>19,476,352</td>
<td>16,978,750</td>
<td>19,427,767</td>
</tr>
</tbody>
</table>
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

24. Income tax expense (continued)

Reconciliation of the income tax expense

Reconciliation between accounting loss and tax expense.

Accounting profit (loss) 19,313,535 (42,942,424) 15,496,595 (33,398,650)
Tax at the applicable tax rate of 28% (2017: 28%) 5,407,790 (12,023,879) 4,339,047 (9,351,622)

Tax effect of adjustments on taxable income

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-taxable income</td>
<td>(16,436)</td>
<td>(39,534)</td>
<td>(16,436)</td>
<td>(16,634)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>955,766</td>
<td>310,706</td>
<td>10,520,076</td>
<td>4,155,945</td>
</tr>
<tr>
<td>Prior year over provision for current tax</td>
<td>- (4,377,174)</td>
<td>-</td>
<td>(4,377,174)</td>
<td></td>
</tr>
<tr>
<td>Deferred tax asset not recognised</td>
<td>10,656,068</td>
<td>35,608,233</td>
<td>2,138,063</td>
<td>29,017,252</td>
</tr>
</tbody>
</table>

Total 17,003,188 19,478,352 16,978,750 19,427,767

25. Cash generated from operations

Profit (loss) before taxation 19,313,535 (42,942,424) 15,496,595 (33,398,650)
Adjustments for:
Depreciation, impairment and amortisation 20,171,345 7,476,927 3,687,380 3,869,350
Profit on sale of property, plant and equipment (58,700) (59,406) (58,700) (59,406)
Income from equity accounted investments (2,471,257) (1,609,136) - -
Finance income (4,116,029) (2,893,231) (3,491,833) (2,539,717)
Finance costs 3,244,756 7,375,402 3,244,756 7,374,328
Movements in retirement benefit assets (523,000) (3,730,000) (523,000) (3,730,000)
and liabilities
Actuarial gain 3,556,000 - 3,556,000 -
Changes in working capital:
Inventories 7,858,208 (1,208,799) 7,858,208 (1,208,799)
Trade and other receivables 34,934,026 9,028,243 64,967,445 6,411,010
Derivatives (1,793,337) - (1,793,337) -
Trade and other payables (53,923,270) 51,823,598 (70,060,336) 46,255,148
Deferred income (213,694) (3,023,723) (38,694) (3,198,722)

Total 25,978,583 20,237,451 22,844,484 19,774,542

26. Tax paid

Balance at beginning of the year (46,136) (7,285,669) - (7,296,962)
Current tax for the year recognised in profit or loss (638) 4,309,789 - 4,377,174
Balance at end of the year - 46,136 - -

(46,774) (2,929,744) - (2,919,788)
### 27. Commitments

**Operating leases – as lessee (expense)**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Minimum lease payments due</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- within one year</td>
<td>6,473,467</td>
<td>8,103,687</td>
<td>6,473,467</td>
<td>8,103,687</td>
</tr>
<tr>
<td>- in second to fifth year inclusive</td>
<td>23,510,644</td>
<td>30,689,977</td>
<td>23,510,644</td>
<td>30,689,977</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,984,111</td>
<td>38,793,664</td>
<td>29,984,111</td>
<td>38,793,664</td>
</tr>
</tbody>
</table>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

### 28. Related parties

**Relationships**
- Subsidiaries: Refer to note 7
- Associates: Refer to note 8
- Executive Council: Refer to Executive Council’s Report

#### Related party balances

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Amounts receivable from provincial Unions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other receivables</td>
<td>19,323,614</td>
<td>16,433,024</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,323,614</td>
<td>16,433,024</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Loans receivable from provincial Unions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other receivables</td>
<td>27,751,619</td>
<td>28,720,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27,751,619</td>
<td>28,720,168</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Loan receivable from The South African Rugby Heritage Trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment provision raised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Amounts payable from Treble Entertainment Proprietary Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other payables</td>
<td>333,091</td>
<td>107,063</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Amount recoverable from The Rugby Educational Foundation NPC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group</td>
<td>Union</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Amount recoverable from SA Super Rugby Proprietary Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Included in trade and other receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impairment provision raised</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
### 28. Related parties (continued)

#### Related party transactions

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Union 2018</th>
<th>Union 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll costs recharged</td>
<td>-</td>
<td>-</td>
<td>1,320,218</td>
<td>1,768,418</td>
</tr>
<tr>
<td>Rental costs recharged</td>
<td>-</td>
<td>-</td>
<td>1,939,413</td>
<td>1,721,230</td>
</tr>
<tr>
<td>Other costs recharged</td>
<td>-</td>
<td>-</td>
<td>843,770</td>
<td>639,960</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>4,103,401</td>
<td>4,129,608</td>
</tr>
</tbody>
</table>

#### Distribution to Unions

| Distribution of broadcasting rights to provinces | 284,440,004 | 318,313,890 | 284,440,004 | 318,313,990 |
| Distribution of home test income              | 700,000     | 9,997,761   | 700,000     | 9,997,761   |
|                                              | 285,140,004 | 328,311,651 | 285,140,004 | 328,311,751 |

#### Receipts from Unions

| Home Test hosting fees | 88,700,898 | 47,460,000 | 88,700,898 | 47,460,000 |

### 29. Executive Council Members’ Remuneration

#### Non executive

<table>
<thead>
<tr>
<th>Fees</th>
<th>4,934,795</th>
<th>5,685,213</th>
<th>4,934,795</th>
<th>5,685,213</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowances</td>
<td>165,300</td>
<td>152,737</td>
<td>165,300</td>
<td>152,737</td>
</tr>
<tr>
<td></td>
<td>5,100,095</td>
<td>5,837,950</td>
<td>5,100,095</td>
<td>5,837,950</td>
</tr>
</tbody>
</table>

#### Executive

<table>
<thead>
<tr>
<th>Salaries</th>
<th>5,999,411</th>
<th>5,245,857</th>
<th>5,999,411</th>
<th>5,245,857</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical aid contributions</td>
<td>51,138</td>
<td>47,514</td>
<td>51,138</td>
<td>47,514</td>
</tr>
<tr>
<td>Pension fund contributions</td>
<td>801,530</td>
<td>736,289</td>
<td>801,530</td>
<td>736,289</td>
</tr>
<tr>
<td></td>
<td>6,852,079</td>
<td>6,029,660</td>
<td>6,852,079</td>
<td>6,029,660</td>
</tr>
</tbody>
</table>

### 30. Comparative figures

During the current year, grants received, which were previously disclosed as revenue, have been reclassified to other income in line with the requirements of IFRS 15 (refer to note 18).

An amount relating to actuarial gains and losses has been reclassified from retained earnings to an actuarial reserve in the statement of changes in equity in line with the requirements of IAS 19. The financial statements have not been restated in this regard as the amount is considered immaterial.
31. Going concern

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on a number of factors. The most significant of these are:

- Broadcasting and key sponsorship properties have already been secured for 2019 and beyond;
- Banking facilities, to meet the required operational needs, have been secured in the medium term with continuous review thereof;
- Management will continue to work towards an efficient and affordable cost base.

32. Events after the reporting period

The Executive Council has taken the decision to close down the Springbok Experience Museum which was included in the South African Rugby Heritage Trust (the "Trust"). The results of the Trust are included in these financial statements.

The Executive Council has taken the decision to sell the investment in SA Super Rugby Proprietary Limited. The results of SA Super Rugby Proprietary Limited are included in these financial statements.

The Executive Council is not aware of any other material event which occurred after the reporting date and up to the date of this report that will have a significant impact on the attached financial statements.
HE SPRINGBOK SEVENS, under Neil Powell, successfully defended their HSBC World Rugby Sevens Series title, continued to be favourites among local supporters and the flagbearers of on-field success amongst the national teams.

Chean Roux’s Junior Boks once again claimed bronze at the World Rugby Under-20 Championship in France, where they pipped New Zealand in the third place playoff.

The Springbok Women’s Sevens, coached by Paul Delport, unfortunately failed to qualify to play in the World Series for women, but partook in the Rugby World Cup Sevens and Commonwealth Games, while the Springbok Women (fifteens) returned to action and undertook a four-match tour of Europe.

South African match officials continued to play a major role on the international stage and during 2018, six of our top referees featured in 18 Tests played worldwide, while there was significant progress on the women’s front to develop top-class female match officials.

The medical department contributed to some very important local and international medical care and conferencing events during
another productive year. It was the second consecutive year in which the Blue Card Concussion System was used at all of the SA Rugby Youth Week Tournaments.

Meanwhile, the SA Rugby Academy programme illustrated its value in the important area of developing promising young rugby talent when a total of 18 of its intake of 30 players were invited at various stages to the activities of the Junior Springboks, with nine eventually travelling to France with the Junior Springboks for the World Rugby U20 Championship.

SPRINGBOKS MAKE ENCOURAGING PROGRESS UNDER ERASMUS

Rassie Erasmus, the SA Rugby Director of Rugby, was appointed in April as Springbok coach in pace of Allister Coetzee, who vacated the position after two seasons in charge.

Erasmus, a former Springbok flank and successful provincial coach, returned to South Africa in 2017 from a successful stint Irish provincial side Munster, where he was awarded the 2017 Guinness Coach of the Year Award.

SA Rugby made the strategic decision to allow Erasmus the leeway to choose overseas-based players who have less than 30 Test caps, resulting in the call-up of Faf de Klerk (England) and Cheslin Kolbe (France).

Apart from increased competitiveness and a step-up in their efforts to achieve transformation targets, another key goal for the Springboks was to afford more players Test match opportunities in an effort to broaden the existing pool of national team players.

In this regard, Erasmus and the selectors picked 50 players during the season, with 19 players in total earning their first appearance for the Springboks.

Overall, the Springboks achieved a win-ratio of 50%, however, the team’s competitiveness had undoubtedly improved, which led to increased public, media and corporate ratings of the team.

The appointment of Siya Kolisi as first black African captain in the history of Springbok rugby was a major moment, with positive reviews of the appointment reverberating from all corners of the rugby world.

Erasmus kicked off his tenure as Springbok coach in Washington DC, USA, where a Springbok side under the captaincy of Pieter-Steph du Toit, with 13 uncapped players in the match day squad, lost 22-20 in the dying minutes of the match against Wales, who scored the winning try from a charged down kick.

The Springboks then returned home to face the powerful England in a three-match series in the Castle Lager Incoming Series. South Africa won the series 2-1 after fighting their way back to victory in the first two Tests (43-39 in Johannesburg and 23-12 in Bloemfontein), before losing the final match in a soaking Cape Town (25-10).

The Castle Lager Rugby Championship brought frustration because of inconsistency. The Boks opened the campaign by toppling Argentina 34-21 in Durban and once more the team had to erase a first-half deficit before gaining the upper-hand.

However the following week the team succumbed to the Pumas 32-19 in what Erasmus described as an embarrassing defeat, which was also the Pumas’ biggest win over South Africa. More disappointment followed in Brisbane in the 23-18 loss to the Wallabies.

After the two disappointing defeats, the Boks managed to pull off the surprise of the season by beating the All Blacks for the first time ever at a packed Westpac Stadium in Wellington. South Africa streaked into a 31-17 lead after the break and held on to record famous 36-34 win.

In Port Elizabeth, the Springboks notched up a comfortable 23-12 victory over the Wallabies in front of a passionate crowd at the
The appointment of Siya Kolisi as first black African captain in the history of Springbok rugby was a major moment, with positive reviews of the appointment reverberating from all corners of the rugby world.
Nelson Mandela Bay Stadium, before the return match against the All Blacks in Pretoria.

Kolisi and his team played near flawless rugby in the first hour, before the visitors from New Zealand upped the ante for a 32-30 win that broke the hearts of South Africans, but restoring pride and respect for the Boks.

The opening match of the Castle Lager Outgoing Tour against England at Twickenham fell outside the official Test window, which meant overseas-based players were not available for the Boks. Despite this, South Africa were competitive and could have sealed a famous victory, but for the refusal of the referee, Angus Gardner, to award a penalty in the last moments of the match for shoulder charge by England’s Owen Farrell on Bok centre Andre Esterhuizen. As a result, England won 12-11.

France were up next and once more the Springboks had to fight their way back from a dangerous deficit of 23-9 to trailing 26-22 with just one minute left on the clock when Bongi Mbonambi crashed over in the corner from a menacing Bok maul to score the winning points and seal a most unlikely win for the visitors (29-26).

Against vastly-improved Scotland in Edinburgh the Boks led 20-17 after an entertaining first half and eventually clinched the Test by 26-20.

The final tour match was against Wales in Cardiff and unfortunately for the South Africans they suffered more heartbreak as Wales prevailed 20-11 to continue their current success rate against the Springboks.

JUNIOR SPRINGBOKS CLINCH BRONZE
The Junior Springboks secured the bronze medal in the World Rugby U20 Championship in the south of France after defeating the New Zealand 40-30 in the third place playoff after Chean Roux’s team suffered a heart-breaking 32-31 defeat against England in the semi-final.

The SA Under-20s started the international spectacle on a winning note with a 33-27 victory against Georgia and a 30-17 win against Ireland, but they went down 46-
29 against eventual champions and hosts, France, in their final pool match.

The World Rugby U20 Championship came after a good build-up for the Junior boks, with home Tests against Georgia in Stellenbosch – which the team won 55-14 and 48-23 respectively – and a successful warm-up tour to the UK, where they beat their counterparts from Scotland (41-3 in Edinburgh), Wales (41-5 in Cardiff) and England (26-12 in Worcester).

**BLITZBOKS SUCCESSFULLY DEFEND THEIR WORLD SERIES CROWN**

The Blitzboks once more carried the flag for South African rugby with the successful defence of their HSBC World Rugby Sevens Series title, in dramatic fashion in France.

Neil Powell’s team clinched the title on the final day of the season with their second tournament victory of the season, when they defeated England 24-14 in Paris. The win, coupled with series-leaders (at that stage) Fiji losing in the quarter-finals, meant they pipped the big islanders by two points on the final standings – 182 to 180 – for a second successive world crown.

The Fijians won five tournaments over the course of the season compared to the two of the Blitzboks, however, the South Africans were rewarded for their consistency as they managed to reach the semi-finals in every tournament on the World Series.

Due to the timing of the Commonwealth Games in Australia in April (the tournament was wedged between the between World Series stops in Hong Kong and Singapore), a young team travelled to the famous Hong Kong tournament where they won hearts with a heroic effort to clinch bronze against the odds.

Gold Coast was not a happy hunting ground for the Blitzboks though – as part of Team South Africa they only finished fourth and failed to defend their Commonwealth Games gold medal from 2014.

The final tournament of the season was the Rugby World Cup Sevens in San Francis-
co and again the Blitzboks failed to win the title, losing against England in the semi-final before clinching bronze against Fiji.

TOUGH SEASON FOR TWO WOMEN’S TEAMS

It was a challenging year for the Springbok Women’s Sevens team – they played in the first women’s tournament at the Commonwealth Games at Gold Coast but lost to Canada, New Zealand, and Kenya in the pool stages, as well as Fiji and Wales in the playoffs to eventually finished eighth.

At the Rugby World Cup Sevens in the USA, the Springbok Women’s Sevens also struggled, losing the Russia (24-14) in their opening match and China (29-5) in the Challenge Cup qualifier, before beating Mexico (34-0) and losing to Brazil (22-0) to finish 14th out of 16 teams.

The Springbok Women’s team (fifteens) returned to action for the first time in four years and undertook a tour to Europe. They performed very well in their first tour game and outsmarted the UK Armed Forces 31-12, but suffered losses to Wales (19-5), Spain (17-5) and Italy (35-10) in the remaining tour games.

REFEREES PERFORM ADMIRABLY ON WORLD STAGE

South African match officials continue to play a major role on the international stage and during 2018 six of our top referees featured in 18 Tests played worldwide.

On the women’s front the department and the referees’ society in general continue to play a more prominent role each year in respect of the identification and development of quality women’s referees.

Stuart Berry was handed the responsibility of refereeing the Guinness Pro14 semi-final between Leinster and Munster, while he was also awarded the honour of taking charge of the prestigious final match between Leinster and Scarlets.

In addition to that, several of our top officials were also invited for duty to the World Rugby Under-20 Championship in France. Egon Seconds continued to make his mark on the international stage and apart from several pools and playoff games, he was picked to handle the whistle in the final encounter between England and France.

History was made when Aimee Barrett-Theron became the first female to take charge of a Currie Cup First Division match, between South Western Districts and the Leopards in George. Earlier in the year she also became the first local woman to break into the SA Referees’ national panel.

Following in her footsteps is the very promising Ashleigh Murray, who really had a breakthrough year in 2018. She was appointed on the match officials panel for the HSBC Women’s Sevens World Series tournament in Dubai, performed duty at the Hong Kong Women’s Sevens qualifiers and was a match official participant at the Youth Olympics rugby tournament.

Recruitment remains a strategic imperative for the department and in this respect several initiatives, to recruit and expose up and coming match officials to first-class exposure, is certainly bearing fruit.

Tournaments such as the Varsity Cup, the SA Rugby Youths Weeks and also local Under-18 international matches provide the department with excellent opportunities to unearth and develop referees for the future.

This year also saw an interesting initiative whereby several Guinness Pro14 referees appeared at the Youth Weeks, giving the country’s top schoolboy rugby the rare opportunity of international referee management exposure.

ROLLOUT OF WORLD-CLASS CARE COURSE KEY FOCUS FOR MEDICAL DEPARTMENT

The focus of the Medical Department for 2018 was to ensure that we continue to provide health, welfare and safety interventions based on scientifically acceptable and best practice evidence to all our provincial unions, Vodacom Super Rugby Franchises and all the national team’s medical staff.

The medical department experienced and contributed to some very important local and international medical care and conferencing events during another productive 2018, which saw:

SA Rugby rollout of the World Rugby Level 2 Immediate Care in Rugby Course to all the medical staff are working within
our provincial unions and national team structures;

›› Continuation of the SA Rugby Injury and Illness Surveillance and Prevention Project for the Currie Cup Premier Division;
›› The start of the Vodacom Super Rugby Injury Prevention interventions which will be monitored over the next four years through the Injury Surveillance Study;
›› Implementation of the innovative Blue Card Concussion System at the SA Rugby Youth Week Tournaments in 2018;
›› Once again, the department played an integral part in the planning and hosting of the Annual World Rugby Medical conference held in London in November 2018.

BOKSMART: 2018 IN NUMBERS

A total of 16 880 coaches have been captured on the BokSmart Certification System up to 26 November 2018, during the fifth cycle of BokSmart Training.

The previous four cycles, together with the current amount of Cycle 5 Trained individuals equates to a total of 90 239 first-time exposures to the BokSmart message, 47 656 re-certifications, and 137 895 people overall, which includes those having undergone multiple exposures.

SA Rugby Academy programme already reaping rewards

The SA Rugby Academy programme illustrated its value in the important area of developing promising young rugby talent when a total of 18 of its intake of 30 players were invited at various stages to the activities of the Junior Springboks. Nine of these players eventually made the cut into the Junior Springbok side that represented South Africa at the 2018 World Rugby U20 Championship in France.

The SA Rugby Academy programme is made possible through the collaboration between Remgro, SA Rugby and the Rugby Educational Foundation and is hosted by the Stellenbosch Academy of Sports.

The programme is run by Hans Scriba (chairman) and Barry McDonald (administration, education and logistics), with support from Louis Koen (Rugby Programme), Jacques Hanekom (SAS, Programme Coordinator) and Johan van Wyk (SAS, medical and conditioning).

SA Rugby and SAS enjoy a healthy professional relationship and many of the staffing responsibilities were shared. A total of 30 talented players were selected from various provincial unions around the country and were invited to attend the Academy programme from 1 February to 25 May 2018.

The key objectives of the programme are:

›› The holistic development of talented players, including formal education through the Foundation;
›› Rugby skills development of the players to professional level;
›› To play a pivotal role in the Strategic Transformation Plan process of SA Rugby by developing more promising young black players.

The 2018 intake consisted of 17 players who were under 19 and 13 players who were in the under 20-age group.

EPD PROGRAMME CONTINUE TO UNEARTH EXCITING TALENT

Through the hard work of the Elite Player Development managers, coaches and the
players, the Rugby Department are able to engage, align, upskill and commit all 14 of our provincial unions to identify and record the best Under-15 to Under-18 schoolboy rugby in South Africa.

Thanks to the success so far of the programme, we can implement, intervene and monitor interphase continuity from EPD 1 to EPD 3 level in respect of our national, fully transformed pool of identified players.

At EPD 1 level, the talent identification programme is geared to ensure that the best 150 players aged 15 and 16 years old are identified and absorbed into the SA Rugby High Performance Development Continuum.

The past year 80 players were invited to the camp for assessment. Here a comprehensive profile is drafted for each individual player, consisting of conditioning, medical and technical aspects. The players’ shortcomings are identified and an intervention strategy is then agreed upon in consultation with the player and coach. Follow-up assessments are also confirmed to ensure that the player stay on course with his development.

The identification process for the U16 and U17’s resulted in two camps which were hosted in September and October in Wellington and Paarl.

The Under-18 SA Schools team played in the newly-named Aon U18 International Series which featured three rounds of matches between the SA Schools team, England, France and Wales, from 10 to 18 August at three high schools, Boland Landbou, Stellenberg and SACS.

More than 40 coaches and conditioning staff members were invited to our camps and this allowed us to align them with the best practices and standards used by the programme, while also serving as staff talent identification purpose for the SA Schools management team.

Ultimately, though proper interventions, the aim is to produce a broad-base, highly skilled and transformed player pool that are able to successfully compete at Vodacom Super Rugby level and then play their way into Springbok contention.

After two years of extensive development work, our Stratus advanced reporting module has been completed and it will give end-users – coaches, players and team analysists – a more enriched working experience. This will also save SA Rugby costs and provide a premium user-experience when compared to other systems.

STRATUS APP OPENS UP MANY TECHNICAL POSSIBILITIES

The main aim of the Technical Department is to have a robust integrated approach to innovation and research as well as creating technology programmes that drives continuously improved performances for our various national teams and all our match officials.

After two years of extensive development work, our Stratus advanced reporting module has been completed and it will give end-users – coaches, players and team analysists – a more enriched working experience. This will also save SA Rugby costs and provide a premium user-experience when compared to other systems.

Furthermore, the first version of the cross platform Stratus App (Stratus Insights) has been completed and released. A core function is the ability to instantly stream shared playlists. Other functions include push notifications, thumbnail images of clips and playlists for easy identification, and customised video controls for better viewing.

Meanwhile, all our national teams continue to reap the benefits of our long-term and successful agreement with Kitman Lab, which provides us with an effective athlete optimization system. Kitman provides coaches, conditioning and medical staff with objective, measurable insights to reduce injury risks and increases player availability to compete.

As a result of the system, SA Rugby is able to set national standards in terms of data tracking and analysis and improve communication and data flow between the Springboks and provinces or franchises so that player injury status and performance history are accessible to all stakeholders.
STRATEGIC PERFORMANCE MANAGEMENT

The Strategic Performance Management Department oversees and assists all of SA Rugby’s internal departments and external stakeholders – including provincial unions, associations and outsourced programmes such as Vuka and Get Into Rugby – in accordance with the strategic objectives of SA Rugby.

ITH TRANSFORMATION BEING highlighted as a potential risk for SA Rugby, it has been managed continuously as a reporting issue to the CEO, Executive Committee and Transformation Committee.

In terms of BEE, SA Rugby subscribes to the Specialised Enterprises scorecard of the Amended Codes of Good Practice, gazetted in October 2013. The applicable scorecard measures Management Control, Skills Development, Enterprise and Supplier Development, and Socio-Economic Development.

The department’s main focus in 2018 was to eliminate the risk for SA Rugby relating to the B-BBEE status, as compliance is not only a regulatory requirement, but also a requirement of sponsors and industry bodies who wish to do business with the organisation.

A strategy was implemented and a Steering Committee activated, and this contributed to SA Rugby obtaining a B-BBEE Level 4 rating – a vast improvement from the previous Level 7 rating.

Looking ahead it is imperative to maintain this level as a minimum standard going forward. This is also required from the provincial unions – most of whom showed a positive attitude in this regard in 2018- and their commercial entities as suppliers to achieve a minimum of Level 4.

STRATEGIC TRANSFORMATION PLAN

The Transformation Committee - which features the 14 provincial union presidents, the committee chairperson, and SA Rugby Executive Committee member, Mrs Ilhaam Groenewald - functioned well in 2018 with three meetings held in accordance with the terms of reference.

With 2019 being the last year of the current Memorandum of Agreement entered into between Sports and Recreation South Africa (SRSA), SA Rugby and SASCOC, the way forward in relation to the Strategic Transformation Plan will be an SA Rugby focus area from 2019 onwards.

The status report from the Eminent Persons Group (EPG) that will be released later in 2019 is expected to show consistency, remaining on 60% according to the organisation’s EPG scorecard for 2017 / 2018.

The reason for this is that the transformation targets being set are higher and the gap to close is already a challenge for most of the provincial unions.
Risk areas were identified where SA Rugby and the provincial unions are lacking in terms of transformation. However, the EPG Barometer diagram below shows consistency and a positive attitude towards transformation.

**EPG BAROMETER OUTCOME 2015-2017**

In terms of national transformation targets, a continuous effort is required to meet the goals set out, as it was only achieved in the Currie Cup First Division and the U20 Competition in 2018.

The target of 45% black representation was not met among the Vodacom Super Rugby teams, although the Isuzu Southern Kings achieved this with ease in the Guinness PRO14.
NATIONAL ACHIEVEMENT - SA RUGBY COMPETITIONS 2018

<table>
<thead>
<tr>
<th>Competition</th>
<th>EPA Target</th>
<th>National Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUPER RUGBY / PRO14</td>
<td>45%</td>
<td>37%</td>
</tr>
<tr>
<td>CURRIE CUP PREMIER</td>
<td>45%</td>
<td>34%</td>
</tr>
<tr>
<td>CURRIE CUP FIRST</td>
<td>45%</td>
<td>37%</td>
</tr>
<tr>
<td>SUPERSPORT CHALLENGE</td>
<td>44%</td>
<td>40%</td>
</tr>
<tr>
<td>U21</td>
<td>45%</td>
<td>38%</td>
</tr>
<tr>
<td>U20</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>U19</td>
<td>45%</td>
<td>50%</td>
</tr>
<tr>
<td>PROVINCIAL WOMEN</td>
<td>80%</td>
<td>60%</td>
</tr>
</tbody>
</table>

ANNUAL REPORT 2018 | SOUTH AFRICAN RUGBY UNION 117
The national teams’ achievements were very positive, despite black African representation not being at the required level, as many new players received an opportunity to make their mark at international level. The attitude towards transformation by the national coaches, however, has to be commended. Since the introduction of the STP and the conclusion of the Memorandum of Agreement between SRSA, SA Rugby and SASCOC, transformation at national level has showed significant progress, although there are areas that need to be addressed going forward to achieve the objectives set out in the National Sports Plan (NSP) and the broader needs of the game.

### EPG Targets vs Springboks 2014 - 2018

- **Springboks Achieved**
- **EPA Target**

### National Achievement - All SA Rugby National Teams 2018

- **EPA Target**
- **National Achievement**
An As Is analysis was launched at the end of 2018 and a proper review and gap analysis will be conducted in 2019 to ensure that SA Rugby meets the requirements going forward.

The review and gap analysis will focus on the six key focus areas that forms part of the National Sports Plan and Strategic Transformation Plan, namely: Access to the Game, Skills and Capacity Development, Demographic Representation, Performance, Community Development and Social Responsibility, Corporate Governance.

FOOTPRINT / E-FILING
The successful implementation of the Footprint and E-Filing administration management systems again made it simpler for the provincial unions at SA Rugby to measure precisely where they are in relation to transformation. The data is captured on Footprint and the E-Filing database and is easily accessible for verification.

Since the establishment of Footprint in 2015, 28 524 players, 715 coaches, 1 641 referees and 232 medical personnel have been registered on the system, which has tracked and managed 47 SA Rugby tournaments. It also successfully launched an SA Rugby accreditation system for players and officials at Test matches and a number of SA Rugby tournaments.

Footprint also plays a vital role in managing SA Rugby’s development programmes, including Get Into Rugby (GIR), Vuka, and the Elite Player Development (EPD) system.

The E-Filing portal, meanwhile, effectively allowed the provincial unions to apply for SA Rugby funding.

Funding for transformation-related matters was activated on 26 February 2018, with the provincial unions having the opportunity to apply for an equal distribution of this money. The system also offered them a portal to submit their budgets and report on it via a close-out report.

Online applications were valid for the focus areas in the strategic transformation plan, namely Governance, Community Talent identification Programmes, Skills and Capacity development (through the ClubWise course), and Community Development and Social Responsibility.

OUTSOURCED PROGRAMMES: GET INTO RUGBY & VUKA
Significant strides were made in Access to the Game once again largely due to the Get Into Rugby and Vuka programmes, which target non-traditional rugby schools and plays a vital role in spreading the game to rural areas and townships.

Participation through the GIR Programme saw massive growth, with 208 613 players, 755 accredited community coaches and 500 non-traditional primary schools introduced to the game in 2018.
Players from SWD and Border before their match at the Carfind.co.za Iqhawe Week for Under-15 teams in Johannesburg.
The Vuka Programme - hosted in conjunction with the South African Rugby Legends Association (SARLA) - continues to make significant strides in growing the game at grassroots level. One of the main achievements in the programme in 2018 was that it was rolled out in all 14 provinces.

Such has been the success of the programme, it was activated in 482 schools countrywide with 22 250 participating players, while 381 accredited community coaches were part of the programme.

SKILLS DEVELOPMENT

An agreement was signed between SA Rugby and the National Institute for Deaf, which saw 14 deaf learners’ studies being funded by SA Rugby to promote accessibility, diversity, transformation, productivity and expansion. Their studies included integrated learning as the basis to empower and create employability for them in Business Administration.

SA Rugby also continues to run the ClubWise programme, which is an approved Cathsseta (the Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority) NQF Level 5 approved course – the first of its kind in rugby club administration. The course is aimed at up-skilling rugby club administrators in order to sustain and grow the game at grassroots level.

In 2018, SA Rugby, in conjunction with the Sports Science Institute of South Africa, increased the number for ClubWise courses hosted, thanks to the improved interest from unions. This saw a total of 68 learners being successfully trained.

A new memorandum of understanding between SA Rugby and the Sport Science Institute of SA was also concluded in 2018.

ASSOCIATIONS

The STP Department conducted its annual review of all associations, which resulted in a standardised Memorandum of Understanding being concluded and signed with all associations, namely the SA Deaf Rugby Union (SADRU), SA Wheelchair Rugby (SAWCR), SA Touch Association (SATA), SA Parliamentary Rugby Club, TAG Rugby Association.

This ensured that they are fully aware of their obligations to SA Rugby and the compliance criteria required in order to retain associate membership status.

At the AGM held on 6 April 2018, SA Rugby also approved the South African National Defence Force Rugby Association’s application to become an associate member, and an MOU was also concluded and signed.

Over and above this, a new partnership agreement was concluded between SA Rugby and Rugby Africa in December 2018 for a period of two years.

CONCLUSION:

Looking to 2019, the department’s key strategic objectives are as follows:

- To sustain a B-BBEE level 4 status

- To negotiate and agree on a new way forward in relation to the Strategic Transformation Plan beyond 2019

The ultimate goal of the Strategic Performance Management department, however, remains to balance the interests of SA Rugby and its external stakeholders, including sponsors, executive management, customers, suppliers, financiers, government and the community.
It was another challenging year commercially as the financial realities of the times in which we live continued to be felt far and wide. Marketing spend is being squeezed across the board and Corporate South Africa weighs every investment on rigorously calibrated scales.
DESPITE THIS, SA RUGBY STILL had successes on the commercial front, signing five new partners – including a new headline sponsor for the Springbok Sevens team – and evolving our relationships with a number of our newer and older sponsors, which included a renewal of ASICS, one of our major sponsors.

Campaigns such as MTN’s “Bozza” and FNB’s “Grassroots to Greatness” were very well received in the market and in many instances, introduced rugby to a wider audience.

Remarkably, considering the difficult financial times and a perceived “lack of love” for rugby in South Africa, the average attendance across the six local Tests was at its highest for six years.

SPONSORSHIPS:
Five new partners were signed in 2018, one of which was only revealed early in 2019. The two most important sponsorship announcements were made in February and October, with the confirmation of Castle Free as new headline sponsor of the Sevens programme, and that ASICS, as the official apparel and footwear supplier to all national teams, will remain with SA Rugby until the end of 2024.
Castle Free also acquired title sponsorship to the Springbok Women’s Sevens and the SA Rugby Sevens Academy teams – a deal that was concluded in record time and was very successfully launched by a fantastic online campaign.

The sponsorship meant that the long-standing relationship between SA Rugby and SA Breweries was lifted to another level and, according to the CEO, it came just at the right time for the thriving sevens programmes.

“The three-and-a-half year deal to back the Blitzboks and our sevens programme is in fact part of the continued partnership we have had with SA Breweries over many years,” said Roux.
“They have been involved in sponsoring other national teams such as the Springboks in the past and are currently the title sponsor to all of the Boks’ competitions and tours, such as the Castle Lager Incoming Series and the Castle Lager Rugby Championship.”

The new agreement with ASICS – which will make the relationship a decade-long one at the end of 2024 – will incorporate landmark rugby events such as the visit of the British & Irish Lions to South Africa in 2021 and the 2023 Rugby World Cup.

ASCIS is a byword for cutting-edge technical sportswear and in our partnership to date we have come to know how meticulous they are about the quality of high performance footwear and clothing. That expertise is critical for a sports organisation that is seeking for ways to improve performance and extending the current arrangement was an easy decision.

We also made big strides in the world of IT and fan engagement when we concluded sponsorship deals with Dell EMC (as official IT equipment partner), and Accenture South Africa (as official digital partner) and Microsoft (as official cloud services partner).

The negotiations and subsequent contracts with Accenture and Microsoft were particularly pleasing as this allowed SA Rugby to not only create a new digital platform, which was launched in early 2019, but also meant the organisation made massive strides in the world of fan engagement, which has become the new Holy Grail in global sport ever since the explosion of social media a decade ago.

Aon Insurance Brokers was named as the new title sponsor of the annual Under 18 International Series, which was hosted in August, between the SA Schools team and their counterparts from England, France and Wales, at three Western Cape high schools, Boland Landbou, Stellenberg and SACS.

**OPERATIONS AND COMPETITIONS:**

SA Rugby again hosted six world-class Tests, the Aon U18 International Series and, for the fourth year, the highly successful HSBC Cape Town Sevens, as well as numerous other local competitions and tournaments, organised in conjunction with various
The Boks kicked off their international season under new Director of Rugby, Rassie Erasmus, with a tough Castle Lager Incoming Series against high-flying England, played at Emirates Airline Park in Johannesburg (attendance of 55,610), Toyota Stadium in Bloemfontein (40,028) and DHL Newlands in Cape Town (33,827) for a combined total attendance of 129,456 (or 85.5% of total available capacity, which was much higher than the 68.6% in the corresponding Tests against France in June 2017).

The Castle Lager Rugby Championship followed with Tests against Argentina at Jonsson Kings Park in Durban (26,863), Australia at the Nelson Mandela Bay Stadium in Port Elizabeth (41,332) and New Zealand at Loftus Versfeld in Pretoria, where a capacity crowd of 50,116 crammed into the stadium.

The total attendance was 118,311 or 79.4% of total available capacity, was lower than for the corresponding three Tests in 2017.

However, in total, the six home Springbok Tests were attended by 247,776 spectators, or a capacity of 82.9%, which was the highest since 2012, when 90.33% attendance of total capacity was achieved.

Six of our franchise teams took part in two different competitions – the Vodacom Bulls, DHL Stormers, Cell C Sharks and Emirates Lions were in action in Vodacom Super Rugby, with the team from Johannesburg yet again the most successful as they finished runners up for the third successive year.

Meanwhile, the Toyota Cheetahs and Isuzu Southern Kings completed their first full season of Guinness Pro14 rugby, with the Free Staters reaching the playoffs.

Domestically, the Currie Cup showed a marked improvement as the competition continued to operate at five different levels and the Coca-Cola Youth Weeks were yet again a massive success, but the Gold Cup was paused for a year to reset the time of year the competition takes place.

On the domestic front, there was good news for the Currie Cup Premier Division, with match attendance up by 6% in the Premier Division, while the average television viewership again increased (against international sporting trends) by jumping 39% year-on-year as the new shorter format made every game critical in determining play off places. Print and broadcast news coverage generated a PR value of just under R0.5billion, which excludes online and social media coverage.

The hosting model that was implemented for the Coca-Cola Youth Weeks in 2016,
ABOVE: The HSBC Cape Town Sevens tournament was yet again a massive success.
where tournaments were combined in different venues, was yet again used with great success.

The Coca-Cola Under-18 Craven Week and Academy Week were held concurrently at Paarl Boys’ High’s Brug Street Grounds, while the Coca-Cola Under-16 Grant Khomo and Under-13 Craven Weeks were held at Hoërskool Diamantveld in Kimberley. The LSEN Week was at the Isak Steyl Stadium in Vanderbijlpark and the Under-18 Girls’ Week was held at Jeppe High School in Johannesburg.

The Youth Weeks were followed by a highly-successful Aon Under-18 International Series, where the SA Schools team faced England, France and Wales, at Boland Landbou near Paarl, Hoërskool Stellenberg in Durbanville, and SACS in Cape Town’s Southern Suburbs, all of which were fully televised on SuperSport.

Locally, the season yet again culminated in two big events, both of them in Cape Town. The final of the Currie Cup, presented by DirectAxis Financial Services and Nashua, was hosted by DHL Western Province at DHL Newlands, where they lost to the Cell C Sharks, and yet again the attendance of this match was not satisfactory.

This wasn’t the case at Cape Town Stadium on the weekend of 8 and 9 December, when spectators streamed in to attend the fourth HSBC Cape Town Sevens tournament, which is the second tournament on the HSBC World Rugby Sevens Series.

A new ticketing system was designed for the HSBC Cape Town Sevens, to ensure dedicated fans got tickets to the event, while taking the stress out of the “sales day rush” and negating the influence of unscrupulous re-sellers that use ‘bots’ to go online and purchase tickets.

This change was based on thorough research and we received 34,428 registrations from 35 countries, through either the Loyalty Programme or the Ticket Lottery.

The total attendance over the two days at the Cape Town Stadium was 107,905 spectators (51,449 on Saturday and 56,456 on Sunday), slightly lower than 2017’s record crowd of 115,396.

Fiji won the tournament, which delivered the most tries ever at the HSBC Cape Town Sevens – 297 to be precise, or 10 more than in 2015.

That equated to 6.6 tries per match, or one try every 127 seconds. The tally in 2017 was 271 and in 2016, a total of 282 tries were scored.

Apart from superb rugby on display, SA Rugby yet again erected the biggest screen ever used at a live event in the country. Advertising space was sold on the “Megatron”, a 320 square metre screen comprising of 260 LED panels – three stories high and the length of a Boeing 737.
COMMUNICATION

The rapidly evolving world of digital communication was writ large for SA Rugby’s Communications Department in 2018 as all elements of the division’s activities – media management, brand development, sports presentation, corporate social investment (CSI) and heritage – to a smaller or greater extent – found themselves living in the digital space during the course of the year.

The most obvious iteration of that was the growth in the use and size of SA Rugby’s digital and social media channels. The traditional activities of issuing media releases (750 of which were issued as per usual) and responding to media inquiries were augmented by a significant growth in the use of social media channels to engage and inform supporters.

Facebook became a primary communication channel (in the long-lamented absence of a mobile-friendly website) with the department posting all its media releases to the social media platform, linking to it from SA Rugby’s Twitter accounts around teams and competitions. It was a sub-optimal engagement approach borne out of necessity and a clunky, outdated website.

The department’s media managers flooded Twitter and Instagram with behind the scenes content from images to video by way of audio, publishing to the organisation’s 1.1m followers on Facebook; 600 000 on Twitter and 250 000 on the rapidly expanding Instagram platform. In addition media releases were routinely cut-and-paste on rugby and news websites in South Africa and overseas.

During test matches all channels were deployed. The department boosted its social media activity on Springbok Test match days with a synchronised “game day live” experience for followers across the three prime social media channels. Three staff members provided the service with the support of contracted photographers. On Twitter alone there were 15.6m impressions from 144 Tweets during the three June Tests against England. In addition we “broadcast” our own content on social media. We ‘Facebook lived’ the media conferences from the first and second test (without any pre-publicity) and received 83 000 views between the two matches.

Meanwhile videos on Instagram – usually recorded on-field at the final whistle – generated good traction with views of the following videos: Willie le Roux (first Test) – 64,385; Faf de Klerk (second Test) – 162,580; Bongi
Mbonambi (second Test) – 29,751; Jannie du Plessis and Victor Matfield congratulating Beast on his 100th Test (second Test) – 37,588; Schalk Brits (third Test) – 33,340; Duane Vermeulen (third Test) – 95,297.

While maximum value was extracted from the available architecture the need to go to the next level had long been identified as of critical importance to the business. To deliver on that mission the department identified and forged a strategic alliance with Accenture South Africa – the global experts in strategy, consulting, digital transformation and technology – to build SA Rugby’s first bespoke fan engagement platform. Accenture embarked with SA Rugby on a rigorous process, calling on global expertise and resources to develop the primary new tool in our business’s communications suite. It incorporated machine learning capabilities to track viewing preferences and habits and an integrated CRM (customer relationship platform) as just two of its enhancements – a first for SA Rugby.

The desired outcome once complete is to grow an aggregated database of fans with whom SA Rugby is able to engage seamlessly through a suite of compelling digital tools, enriching their experience of the game and creating commercial value for SA Rugby and our partners.

The advantages of speed, smart targeting and relative ‘cheapness’ of digital marketing meant that it continued to play the central role in the department’s brand building and marketing strategy. In a first for the department we acted as the “agency” for partner SAB, in the launch of their Castle Free sponsorship of the Sevens teams. The concept, script, production and post-production were designed and delivered by SA Rugby and released to a happy partner and engaged audience.

Similarly the Currie Cup, presented by Direct Axis and Nashua, was promoted through an extensive series of video stories where players – usually a retired legend and an up-and-coming player – were pitched together (without either knowing the identity of the other) to always entertaining and often humorous effect. Not quite as hilarious as one episode of XV Seconds of Fame, used to promote Vodacom Super Rugby in 2018, which asked Capetonian fans of New Zealand teams to identify on a map the location of the country. It proved testing.

The department’s success in this short-form online video was underlined when one such piece from 2017 – called The Arrival – won the award for Best Use of PR in a Campaign at the Sports Industry Awards. The piece was a quirky, sideways take on the Blitzboks’ homecoming after they were crowned HSBC World Rugby Sevens Series Champions for 2016/17. It was filmed overnight and in advance of the team’s departure for Paris.
for the final leg of the series and featured the players being chased through a deserted Cape Town International airport. It was released to coincide with the team’s return from the victorious final leg of the series.

SA Rugby was shortlisted in another three categories (Cutting Edge Technology – MEGATRON at Cape Town 7s; Brand of the Year – Springbok Sevens; and Best Development Programme – Get Into Rugby) the HSBC Cape Town Sevens tournament retained its title as the Best Live Sports Experience in South Africa. Much energy and creativity was again poured into the 2018 event with its combination of crowd engagement, prank moments, and headline musical acts all augmented by the giant ‘MEGATRON’ screen which generated self-sustaining revenue from partners.

Digital also played its part at The Springbok Experience rugby museum. The future of the facility remained in question in SA Rugby’s financial landscape but funding from Lotto (R910 000) allowed for the development of a digital installation, The A to Z of Black Rugby History, focusing on the pre-unity era. The uncertainty surrounding the museum’s future was a contributing factor in the departure of both the heritage manager and facilities officer towards the end of the year.

SA Rugby’s CSI initiative Boks for Books also went digital in 2018. In conjunction with new partner, Dell, a solar-powered digital...
library was launched in Soweto with funding from the Dell Foundation.

Away from the digital world more traditional activities continued to take place with the department leading the way in celebrating the centenary of the birth of late President Nelson Mandela. The Springbok team visited Robben Island (and, of course, a digital record of the experience was released online) as well as the Mandela Museum in Soweto and arrived in the USA for the test against the American Eagles in Boston wearing Mandela t-shirts in collaboration with the Nelson Mandela Foundation.

The Test in Port Elizabeth against Australia in September was designated as “The Nelson Mandela Centenary Test” with the team wearing the Nelson Mandela 100 logo on the sleeve of the playing jersey. A banquet was hosted in PE to raise funds for legacy projects; a special Springbok-themed, “Madiba” shirt was created for formal wear for the teams and players and SA Rugby staff were involved on July 18 in an “Action against Poverty” initiative building a house in a community.

In contrast to other years, the media file on SA Rugby was relatively low key. Among the main ‘stories’ were the release of Allister Coetzee from his contract; the awarding of franchise status to Griquas and Pumas; the release of Steinhoff from their sponsorship and the acquisition of two replacements; the presidential election results; the on-going financial difficulties at Border and potential acquisition of the Kings by an equity partner; the retirement from rugby of record Springbok try scorer Bryan Habana; the release of the Eminent Persons’ Group report and the fallout from the SuperSport studio walk-out by commentator Ashwin Willemse.

All those events were actively pursued and debated by supporters in digital channels. By the end of 2018, SA Rugby was well positioned not just to provide information into that space to engage with supporters and partners on it.

The “A to Z of Black Rugby History” was launched at the Springbok Experience in October.
INANCIAL CONSTRAINTS REMAINED a challenge to execute in some areas, but overall, a significant number of successes were recorded.

In no particular order, the following were completed and implemented.

The implementation of the Remuneration Review’s for SA Rugby’s Non-Executive Directors (NED’s) took effect on 1 January 2019. The review itself looked at a number of factors:

A - Reviewing current fees and benchmarking them against what the market pays for NED’s.

B - Took into account the time commitment and number of meetings NEDs are required to attend per annum.
Springbok captain Siya Kolisi with a female staff member from SA Rugby on Women’s Day, when the Boks paid tribute to the women employees with an office visit.
This was all done in compliance with SARS requirements.

The Sport Employees Unite Union introduced itself to SA Rugby for the purpose of recruiting members and SA Rugby recognised SEU’s right to organise.

We see the engagement between us and SEU as positive and we allowed them to come to SA Rugby premises to recruit for new members.

SA Rugby also agreed to and is already deducting membership fees from members’ salaries and paying that over to SEU.

Learning and Development of SA Rugby staff was high on the agenda for SA Rugby in 2018. We introduced management coaching (run by an external service provider) to help managers navigate easier in their roles with a help of a coach.

Over and above the internal skills training, CATHSSETA offered SA Rugby funding for 17 bursaries and 20 learnerships, a significant increase from 2017, where six employees continued studies through the CATHSSETA discretionary grant.

Staff Wellness was again an important objective for us. The unfortunate self-death of a prominent academic at a nearby university highlighted awareness of staff under duress.

The increasing number of employees who were experiencing financial difficulties in some cases led to depression. SA Rugby introduced a Wellness clinic on a bi-weekly basis where employees would consult with
a qualified psychologist. Mental illness awareness will remain high on the agenda. The service is ongoing and there has been positive feedback from employees.

Our Wellness partners, ICAS, again played an important role in assisting staff to cope in a tough working environment where extra responsibilities were taken on by many.

We opted to continue with the musculoskeletal initiative as the environment of staff working long hours at the desk did not change. This affects the joints and the initiative provides a platform for staff to be advised on exercises and ergonomics.

We also engaged a dietician to look at the nutritional behaviour of staff. Results from Wellness surveys showed staff were not eating healthy – due to factors such as workload, time management or access and affordability of healthy foods, as well as the financial issues of healthy living.

A biocineticist also looked at the fitness aspects of staff, weighed people and gave programmes to follow where needed.

The Financial Wellness aspect was also addressed with Alexander Forbes engaging with permanent staff on their Pension Fund and options on contributions and to structure finances.

**Long Service Awards** was awarded to seven employees. Loyalty to the company remains an important issue for us and one 20-year, four 10-year and two five-year service awards were celebrated.