



World Masters Games 2017 Limited Annual Report

FOR THE YEAR ENDED 30 JUNE 2017

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Directory

Directors

The Directors as at and for the year ended 30 June 2017 are as follows:

- Sir John Wells
- Diana Marie Puketapu
- Martin Colin Snedden
- Kevin Walter Ross
- Dianne Victoria McAteer
- Graham Ellis Child

Shareholder

Auckland Tourism, Events and Economic Development Limited (100%)
Level 8, 139 Quay Street
Auckland, 1010
New Zealand

Registered Office

c/o Auckland Tourism, Events and Economic Development Limited
Level 8, 139 Quay Street
Auckland, 1010
New Zealand

Auditor

Audit New Zealand
Level 6, 280 Queen Street
Auckland, 1140
New Zealand

Banker

Bank of New Zealand
330 Broadway
Newmarket
Auckland, 1023
New Zealand

Solicitor

Minter Ellison Rudd Watts
Lumley Centre
88 Shortland St
Auckland, 1010
New Zealand

Registered Company Number

4661739

Statement from the Chairman and Chief Executive

World Masters Games 2017 started unknown and finished unforgettable.

It was an event four years in the making that lasted 10 memorable days in April 2017, reuniting old friendships, reigniting sporting rivalries and bringing sunshine to an autumnal Auckland.

Few New Zealanders had heard about the World Masters Games before the rights were awarded to Auckland, New Zealand, in 2012. For tens of thousands of athletes worldwide however, it was already the pinnacle sporting event for masters age competitors, and an event to train for and aspire to.

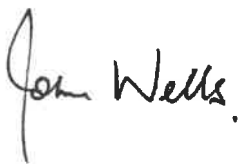
The task of bringing to life such a complex sporting event – 28,000 participants in 28 sports across 48 venues – was made possible thanks to the efforts of not just the Local Organising Committee, but its extended family of sports and venues partners, commercial sponsors, local iwi, Games ambassadors, an incredible volunteer workforce and suppliers from many professions who provided goods, services and expertise.

We are grateful for the passion and dedication of all who worked tirelessly across the four-year delivery continuum and especially during the 10 days of the event itself to bring the ‘best Games ever’ to life. Thank you as well to Aucklanders for embracing World Masters Games 2017 and showing our visitors the best of times.

As an initiative supported by Auckland Tourism, Events and Economic Development and the Ministry of Business, Innovation and Employment, along with significant backing by presenting partner Barfoot & Thompson, World Masters Games 2017 surpassed expectations on every front and created a new benchmark for the World Masters Games movement.

Elite athletes took the start line with keen amateurs. Twenty-five-year-old swimmers made their mark alongside centenarians. The World Masters Games transcended all traditional notions of a global sporting event and demonstrated that sport is indeed for all, regardless of age, race, religion, gender and status.

Together we made history, for the love of sport.



Sir John Wells
Chairman



Jennah Wootten
Chief Executive

Statement of Service Performance

World Masters Games 2017 Limited (WMG2017) was incorporated on 19 September 2013 and is a wholly owned subsidiary of Auckland Tourism, Events and Economic Development (ATEED). WMG2017 was responsible for the delivery of the World Masters Games in Auckland and the Waikato in April 2017 (the Games). WMG2017 had its own independent, skills and expertise-based board of directors, guided by a Constitution and Terms of Reference (TOR) with ATEED. WMG2017 led all aspects of the Games planning and delivery, except for leverage and legacy activities, which were led by ATEED.

The WMG2017 performance measures were specified in the TOR between ATEED and WMG2017. A subset of the full set of KPIs is reported below, aligning with the ATEED Statement of Intent (SOI) for 2016-2019. This SOI served as the SOI of WMG2017.

Outputs and Outcomes

Objective	Performance measures	Final result	Comment
Ensure the economic benefit from the Games is realised. ³	GDP impact meets or exceeds \$30.8 million. ¹	\$34.3 million	Achieved.
	Auckland visitor nights exceed 224,000. ^{1,2}	241,480 Auckland visitor nights	Achieved.
Deliver an exceptional and memorable Games experience for athletes, New Zealanders and stakeholders. ³	A survey of competitors/participants captures that more than 85 per cent agree that the Games were well organised.	88%	Achieved.
	A survey of public attendees captures that more than 85 per cent agree that the Games were well delivered and enhanced their pride in the city.	91%	Achieved.

1. The sport venue allocation process resulted in two venues being located in the Waikato region, resulting in a reduction in the projected contribution to Auckland GDP of \$5.36m (ATEED SOI 2016-19: GDP \$36.16m) and a reduction in the projected Auckland visitor nights of 26,810 (ATEED SOI 2016-19: Auckland visitor nights exceed 250,810).
2. Auckland visitor nights was disclosed in the annual report for the year ended 30 June 2016 as 244,000. This was a transposition error.
3. The economic impact assessment of the Games was completed independently by the Fresh Information Company. It also designed and administered the surveys completed.

The following table captures the other key objectives of WMG2017 and the related performance measures from the TOR.

Objective	Performance measures	Final result	Comment
Deliver a benchmark Games that strengthens the global masters movement.	IMGA agrees that Auckland successfully met the obligations of the Hosting Agreement.	At the Closing Ceremony on 30 April 2017, Kai Holm, President of the IMGA declared World Masters Games 2017 the 'best Games Ever.	Achieved.

Objective	Performance measures	Final result	Comment
Deliver a balanced budget, achieving revenue targets and demonstrating sound financial management.	A balanced budget.	Break even.	Refer Financial Statements Note 2 Achieved.
	25,000 athletes and 3,333 non-playing officials and supporters.	24,905 athletes and 3,673 non-playing officials and supporters.	Achieved.
	The direct cost to ATEED does not exceed \$11.75 million and the direct cost to Ministry of Business, Innovation and Employment (MBIE) does not exceed \$11 million.	The direct cost to ATEED was \$11.75 million and the direct cost to MBIE was \$11 million.	Refer Financial Statements Note 3 Achieved.
	ATEED and MBIE are kept informed of the event's progress.	Reporting was maintained as required in the TOR with ATEED, and the New Zealand Major Events Funding Agreement with MBIE.	Achieved.

As the above content illustrates, WMG2017 was a success on each and every measure.

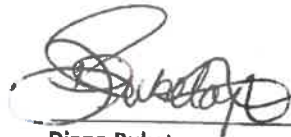


Directors' Report

The board of directors have pleasure in presenting the annual report of World Masters Games 2017 Limited, incorporating the financial statements, statement of service performance and the auditor's report, for the year ended 30 June 2017.



Sir John Wells
Chairman
24 July 2017



Diana Puketapu
Director and Audit Committee Chair
24 July 2017

Independent Auditor's Report

To the readers of World Masters Games 2017 Limited's financial statements and performance information for the year ended 30 June 2017

The Auditor-General is the auditor of World Masters Games 2017 Limited (the company). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 12 to 21, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 5 to 6.

In our opinion:

- the financial statements of the company on pages 12 to 21 that are prepared on a disestablishment basis:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime;
- the performance information of the company on pages 5 to 6 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2017.

Emphasis of matter - the financial statements are appropriately prepared on a disestablishment basis

Without modifying our opinion, we draw your attention to the basis of preparation in the statement of accounting policies about the financial statements being prepared on a disestablishment basis as the company's Board of Directors passed a resolution on 24 July 2017 to seek to wind up the company subject to the written approval of not less than 75% of the members of the company. We consider the disestablishment basis of preparation and related disclosures to be appropriate to the company's circumstances.

Our audit was completed on 24 July 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, 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.
- We 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 company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the disestablishment basis of accounting by the Board of Directors. We are required to draw attention in our auditor's report to the related disclosures in the financial statements about the disestablishment basis of preparation 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.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.



Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

A handwritten signature in blue ink, appearing to read 'L. Pieterse', is written over a faint, illegible stamp or watermark.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Financial Statements

Statement of comprehensive revenue and expenditure

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
REVENUE			
	3		
Central government		3,655	2,625
ATEED		7,325	1,427
Commercial		2,160	876
Registrations		6,687	1,519
Other Revenue		145	15
		<u>19,972</u>	<u>6,462</u>
EXPENDITURE			
Employee benefits	4	4,322	2,560
Professional Fees (includes Sport Delivery)		7,716	1,128
IMGA Rights Fees		1,562	722
Directors Fees	12	173	160
Utilities & Occupancy		160	164
Depreciation and amortisation	7	31	111
Marketing and Advertising		1,268	905
Venue Hire		1,081	250
Other expenses		3,519	744
Total expenditure		<u>19,832</u>	<u>6,744</u>
Operating surplus/(deficit) before income tax	2	140	(282)
Transfer of whole of programme operating surplus to ATEED	11	(831)	-
Deficit before income tax		<u>(691)</u>	<u>(282)</u>
Income tax expense		-	-
Deficit after income tax		<u>(691)</u>	<u>(282)</u>
DEFICIT IS ATTRIBUTABLE TO:			
Equity holder of World Masters Games 2017 Limited		<u>(691)</u>	<u>(282)</u>
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR IS ATTRIBUTABLE TO:			
Equity holder of World Masters Games 2017 Limited		<u>(691)</u>	<u>(282)</u>

This statement should be read in conjunction with the notes to the Financial Statements

Statement of changes in equity

For the year ended 30 June 2017

	ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY		
	Contributed equity \$'000	Accumulated funds \$'000	Total equity \$'000
Notes			
Balance as at 1 July 2015	1	973	974
COMPREHENSIVE REVENUE AND EXPENSE			
Deficit for the period	-	(282)	(282)
Total comprehensive revenue and expense	-	(282)	(282)
Transactions with owners	-	-	-
Balance as at 30 June 2016	1	691	692
Balance as at beginning of the period	1	691	692
COMPREHENSIVE REVENUE AND EXPENSE			
Deficit for the period	-	(691)	(691)
Total comprehensive revenue and expense	-	(691)	(691)
Transactions with owners	-	-	-
Balance as at 30 June 2017	9 1	-	1

This statement should be read in conjunction with the notes to the Financial Statements

Statement of financial position

As at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
CURRENT ASSETS			
Receivables	6	1,046	1,538
Prepayments		-	89
Total current assets		1,046	1,627
NON-CURRENT ASSETS			
Property, plant and equipment	7	-	31
Total non-current assets		-	31
Total assets		1,046	1,658
LIABILITIES			
CURRENT LIABILITIES			
Payables and accruals	8	1,045	810
Employee entitlements	4	-	156
Total current liabilities		1,045	966
Total liabilities		1,045	966
Net assets		1	692
EQUITY			
Contributed equity		1	1
Accumulated funds		-	691
Total equity	9	1	692

This statement should be read in conjunction with the notes to the Financial Statements

Statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from revenue		12,110	5,431
Payments to suppliers and employees		(18,798)	(6,225)
Net cash from operating activities		(6,688)	(794)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals of property, plant and equipment	7	24	-
Net cash from investing activities		24	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding from parent		6,664	794
Net cash from financing activities		6,664	794
Net increase/(decrease)		-	-

This statement should be read in conjunction with the notes to the Financial Statements

Notes to the financial statements

1. Reporting entity and basis of preparation

Reporting entity

World Masters Games 2017 Limited ("WMG2017" or the "Company") was incorporated on 19 September 2013, is registered under the Companies Act 1993 and is domiciled in New Zealand.

The primary objective of the company was to deliver the World Masters Games 2017 (the "Games"). The World Masters Games is the largest multi-sport event in the world. Auckland hosted the event from 21 to 30 April 2017 during which time 28,578 participants competed in 28 sports across 48 venues. The Games are regarded as the largest event New Zealand will host in at least the next decade.

The Company's parent company is Auckland Tourism, Events and Economic Development Limited ("ATEED"). ATEED is a council controlled organisation ("CCO") as defined under section 6 of the Local Government Act ("LGA") 2002, by virtue of equity securities carrying 50 per cent or more of the voting rights at a meeting of the shareholders of ATEED being held by Auckland Council (a local authority).

Basis of preparation

The Company is a Public Benefit Entity (PBE). The financial statements have been prepared in accordance with the requirements of the LGA, which include the requirements to comply with generally accepted accounting practice in New Zealand. ("NZ GAAP"). The financial statements have been prepared in accordance with Tier 2 PBE Reduced Disclosure Regime. WMG2017 is classified as a Tier 2 PBE due to not being publicly accountable and having expenses ≤\$30m.

At 30 June 2017, the delivery of the Games is complete and the Company is expected to complete any related obligations by 31 July 2017. The Company will be able to meet its obligations, as and when they fall due.

The parent company is undertaking to disestablish the Company within three months of 30 June 2017. The WMG2017 Board of Directors passed a resolution on 24 July 2017 to wind up the Company on 31 July 2017. The dissolution of the Company within 12 months of balance date, requires the financial statements to be prepared on a dissolution basis, not the normal going-concern basis. The Company has completed the disposal of any assets acquired to deliver the Games, therefore no adjustments are required to the carrying values of the assets. Any assets and liabilities are classified at 30 June 2017 as current, as they will be realised within twelve months of balance date.

The operational costs to wrap up the Company in July 2017 have been provided for at 30 June 2017 and include staff costs and directors fees. On 30 June 2017, the Company resolved, with the endorsement of the parent company, to distribute the operational surplus arising on the completion of the Games to the parent company, where it will be held as a restricted equity reserve to be distributed for the benefit of amateur sport. Certain contractual commitments which were due to be settled in the 30 June 2018 financial year have been accounted for within the 30 June 2017 financial year as the Company has satisfied any related undertakings.

In the unlikely event that there are any outstanding obligations of the Company prior to disestablishment, these will be transferred to the parent company on disestablishment.

The financial statements have been prepared under the historical cost convention and the accounting policies have been applied consistently throughout the period. The Company is exempt from income tax under the Income Tax Act 2007 and therefore there is no current or deferred income tax expense recognised in the financial statements.

The accounting policies applied in the preparation of these financial statements are included in the relevant note to the financial statements. There have been no changes in the accounting framework or to the policies applied in the current year, except for the disestablishment basis of preparation noted above.

The financial statements are presented in New Zealand dollars which is the Company's functional currency. All financial information has been rounded to the nearest thousand dollars (\$'000).

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which are presented on a GST inclusive basis.

Significant judgements and estimates

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances. The key judgement exercised by management is in respect of revenue recognition and measurement (refer note 3).

2. Summary financial information

The following information has been extracted from the financial statements of the Company and is presented to demonstrate the whole of programme event budget and spend by financial year.

	\$000	Prior to incorporation ¹	2014	2015	2016	2017	Total
Revenue		1,348	4,640	3,856	6,462	19,972	36,278
Expenditure		(1,348)	(3,574)	(3,949)	(6,744)	(19,832)	(35,447)
Operating surplus/(deficit) after tax		-	1,066	(93)	(282)	140	831

¹ Prior to incorporation expenditure was incurred by ATEED on behalf of the Company. The net expenditure of \$1,122,089 was included in the 2014 financial statements with a corresponding net contribution from ATEED.

3. Revenue

	2017 \$'000	2016 \$'000
Central government	3,655	2,625
ATEED	7,325	1,427
Commercial	2,160	876
Registrations	6,687	1,519
Other Revenue	145	15
Total revenue	19,972	6,462

WMG2017 derived its revenue from non-exchange transactions, which were measured at fair value. Non-exchange transaction revenue arose when WMG2017 received value from another party without giving approximately equal value directly in exchange for the value received. All contracts are treated as non-exchange, which is in accordance with Group (Auckland Council) policy, as the WMG2017 is rates funded.

Type	Recognition and measurement
Central government	The New Zealand Major Events funding agreement between ATEED and the Ministry of Business, Innovation & Employment provided for a capped level of funding of \$11m for delivery of the Games. The funding was payable in instalments based on the satisfactory completion of relevant project tasks or milestones. Consequently, the contract was considered executory contract and revenue was recognised when milestones were met. The final milestone was completed in June 2017 with MBIE satisfied that the final funding could be invoiced and completed.
ATEED	The Terms of Reference and subsequent variations between WMG2017 and ATEED provided for funding of \$11.75m for delivery of the Games. The funding was provided by cash flow funding and funded staff secondments. Under the Terms of Reference there were reporting milestones and the funding was provided based on annual forecasts as part of the Auckland Council's long term plan ("LTP), up to the agreed cap of \$11.75m for the whole of programme. It was therefore deemed an executory contract and revenue was recognised when milestones are met.
Commercial	WMG2017 entered into a number of contracts with Commercial Partners which provided for funding of approximately \$5.3m for delivery of the Games. Each contract was separately reviewed to identify whether it included any executory provisions and to fair value any goods or services received at less than market value or in kind. Revenue from cash grants and commercial partnerships was recognised when it became receivable unless there was an obligation to return the funds if conditions of the grant or partnership agreement were not met. If there is such an obligation, the funding was initially recorded as amounts received in advance and recognised as revenue when milestones were satisfied. The amount of revenue arising from goods or services in kind in 2017 is \$791,000 (2016: \$96,600) and was measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. Fair value was measured with reference to market information, the WMG2017 budget which was established through the original event bid process and is closely monitored, and with consideration of procurement evaluation processes completed.
Registrations	Registrations included the package fees from Athletes and Supporters to participate in the Games. Revenue was recognised when received and included the service and banking fees charged by WMG2017 to offset related expenses incurred. The Participation terms and conditions included allowances for full or partial refunds in limited circumstances and to date these have not been material.

The Company has no revenue arising from external interest, royalties or dividends (or similar distributions).

4. Employee benefits and entitlements

	2017	2016
	\$'000	\$'000
Salaries and wages	4,304	2,527
Defined contribution plan employer contributions	15	15
Other staff expenses	46	25
Decrease in annual leave liability	(43)	(7)
Total personnel expenses	4,322	2,560

Employee entitlements for salaries and wages, annual leave and other similar benefits are recognised as an expense and liability as they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. At 30 June 2017, there were no outstanding entitlements relating to annual leave (2016: Annual leave \$46,000, Accrued Pay \$110,000).

5. Other expenses

The auditors of the financial statements are Audit New Zealand. Audit fees for the financial statements audit are \$25,500 (2016: \$16,000). Audit New Zealand have provided no other services to the Company in the current year.

6. Receivables

	2017	2016
	\$'000	\$'000
CURRENT		
Trade receivables	895	515
Less provision for impairment of receivables	(5)	-
Related party receivables (see Note 11)	156	325
Other receivables	-	698
Total receivables	1,046	1,538

Trade receivables are amounts due from revenue invoiced. Other receivables in the comparative period included non-exchange revenue which was invoiced in the 2017 financial year in accordance with Commercial contract milestones. Receivables are considered individually for impairment, with reference to the debtor's payment history and their current financial position. Debtors and other receivables are normally non-interest bearing and settled on 30 day terms, therefore the carrying value approximates fair value.

7. Property, plant and equipment

The carrying amount of property, plant and equipment at 30 June 2017 is \$Nil (30 June 2016: \$31,000). Following the completion of the Games in April 2017, all property, plant and equipment was disposed of.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the net surplus or deficit and totalled \$24,000 for the year ending 30 June 2017.

Property, plant and equipment were shown at cost, less accumulated depreciation. Cost included any costs that were directly attributable to the acquisition of the items including the costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. The cost of an item of property, plant and equipment was recognised as an asset if, and only if, it was probable that future economic benefits or service potential associated with the item will flow to WMG2017 and the cost of the item could be measured reliably.

Depreciation on assets was provided on a straight-line basis at rates that will write off the cost of the assets to their estimated residual values over their useful lives. WMG2017 reviewed the useful lives and residual values of its property, plant, and equipment each reporting date and reduced the useful life to reflect the anticipated disposal post the Games. Consequently, the useful lives applied were as follows:

- Furniture, fittings and other office equipment: 1 – 4 years
- Computer Equipment: 1 – 4 years
- Leasehold improvements: 2 – 3 years (lease term)

Residual value for the assets were assessed with reference to the physical condition of the asset and the expected disposal proceeds from the future sale of the asset.

8. Payables and accruals

	2017	2016
	\$'000	\$'000
CURRENT		
Creditors	60	45
Accrued expenses	985	710
Related party payables	-	30
Revenue in Advance	-	25
Total trade and other payables	1,045	810

Payables are stated at cost or estimated liability where accrued. Trade and other payables are normally non-interest bearing and settled on 30 day terms, therefore the carrying value approximates fair value.

9. Equity

The components of equity are accumulated funds and contributed equity. Contributed equity represents the transfer of assets by ATEED on establishment of the Company. At incorporation, 1,000 ordinary shares were issued to ATEED and there have been no subsequent movements in contributed equity.

WMG2017's capital is its equity, which comprises equity contributed by ATEED and accumulated funds. Equity is represented by net assets.

The Local Government Act 2002 requires ATEED's sole shareholder, Auckland Council to manage its revenues, expenses, assets, liabilities and general financial dealings prudently. By way of this requirement, WMG2017 must do likewise. WMG2017 equity was largely managed as a by-product of managing revenues, expenses, assets, liabilities, and general financial dealings. These are monitored by using detailed budgeting processes. The objective of managing the WMG2017 equity was to ensure that WMG2017 effectively achieves its objectives and purpose.

As outlined in Note 1, the Company is to be disestablished having achieved its purpose of delivering the Games. On 30 June 2017, the Company resolved, with the endorsement of ATEED, to distribute the operational surplus arising on the completion of the Games to ATEED, where it will be held as a restricted equity reserve to be distributed for the benefit of amateur sport.

10. Commitments and operating leases

Contractual commitments

WMG2017 entered into contracts to host and deliver the World Masters Games 2017. Any expenditure related to these contracts was accounted for when they are incurred unless the expenditure is refundable in accordance with contractual milestones, and was therefore held as a prepayment until the event is held. All known contractual obligations have been expensed following the completion of the Games and there are no outstanding contractual commitments at 30 June 2017 (2016: \$9,233,000).

As at 30 June 2016 there were approximately 30 sporting partnership agreements in place with a variety of sporting bodies. These commitments total approximately \$3.7 million in value and were expenses in the current year.

ATEED entered into the Host City Agreement with the International Masters Games Association (IMGA) on behalf of WMG2017. This Agreement committed ATEED to a hosting fee of €3.35m for which ATEED entered a contract to hedge the foreign currency. The hedge costs, where applicable, are recognised in WMG2017.

Operating leases commitments (as lessee)

WMG2017 leased its offices at 9 Nelson Street, Auckland on a non-cancellable term to 30 June 2017. The offices were exited on 30 June 2017 and there are no outstanding commitments. The future aggregate minimum lease payments payable under non-cancellable operating leases at 30 June 2016 was \$92,000.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.



11. Related party transactions

Related parties include the parent company (ATEED), council controlled organisations, key management personnel, directors and their close family members and entities controlled by them. Close family members include spouses or domestic parties, children and dependants.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the entity would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with the parent entity or within the Auckland Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Parent Company

ATEED funding is outlined in Note 2. The balance outstanding with ATEED is \$156,949 receivable (2016: \$325,280 receivable). As part of the dissolution process on the completion of the Games, assets (including office furniture, event and IT equipment) were transferred free of charge to ATEED. These assets had been fully written down by WMG2017 however had an original purchase price of approximately \$76,000.

On 30 June 2017, the Company resolved, with the endorsement of the parent company, to distribute the operational surplus arising on the completion of the Games to the parent company, where it will be held as a restricted equity reserve to be distributed for the benefit of amateur sport.

ATEED is party to forward exchange contracts, on behalf of WMG2017, that were taken out to manage the foreign exchange risk related to the fees payable to the International Masters Games Association (IMGA), the rights holder of the event. These contracts were executed by ATEED and are therefore recognised and disclosed within the ATEED financial statements and are not recognised in the financial statements for WMG2017. ATEED has recharged the Company for the related expenditure in relation to the forward cover. The forward cover rate was unfavourable versus the original games bid budget established and agreed by ATEED and Auckland Council, prior to the establishment of the Company. Directors fees were also not included in the original games bid budget. In response, the opportunity of staff secondments from ATEED to WMG2017 was identified to reduce the budgeted operational costs by a corresponding amount.

All GST transactions and processing for WMG2017 are conducted by the parent company ATEED.

Council controlled organisations

The Company entered into several agreements for venue hire with Auckland Council controlled organisations which were hired at no cost or at a cost lower than normal commercial rates:

- Auckland Council Group – hire of several indoor and outdoor venues in the Auckland region (at no cost);
- Counties Manukau Pacific Trust – hire of Wero for Canoe event (at no cost);
- North Shore Events Centre Trust – hire of the North Shore Events Centre; and
- Waitakere City Stadium Trust – hire of Trusts Arena.

WMG2017 partnered with entities within the Auckland Council Group to provide free of charge entry to attractions around Auckland for registrants who have paid for either a Gold or Silver registration package. This also includes the provision of free travel on the Auckland Transport travel network.

Key management expenses and Directors

Key management personnel are the chief executive and executive leadership team.

Directors and Key Management Personnel Compensation

	2017	2016
	\$'000	\$'000
Directors	173	160
Executive leadership team, including the Chief Executive	<u>1,570</u>	<u>1,114</u>
Total	<u>1,743</u>	<u>1,274</u>

12. Remuneration

	2017	2016
	Number of employees	Number of employees
THE NUMBER OF EMPLOYEES THAT RECEIVED OVER \$100,000 P.A. AS AT 30 JUNE IS AS FOLLOWS:		
\$100,000 @ \$109,999	-	1
\$120,000 @ \$129,999	2	5
\$130,000 @ \$139,999	4	-
\$140,000 @ \$149,999	-	1
\$170,000 @ \$179,999	2	-
\$180,000 @ \$189,999	-	2
\$210,000 @ \$219,999	1	-
\$220,000 @ \$229,999	-	1
\$230,000 @ \$239,999	1	-
\$420,000 @ \$429,999	1	-

	2017	2016
	\$'000	\$'000
DIRECTORS' REMUNERATION BY DIRECTOR		
Sir John Wells (Chair)	65	60
Diana Puketapu	22	20
Kevin Ross	22	20
Martin Snedden	22	20
Dianne McAteer	22	20
Graham Child	22	20
Total Directors Fees	173	160

The Directors Fees for 30 June 2017, include the Directors fees for July 2017 to complete the Directors responsibilities prior to disestablishing the Company, including the annual report and post evaluation reporting. The Directors fees therefore reflect 13 months (2016: 12 months).

The remuneration disclosure for employees includes the Chief Executive performance incentives for the financial years ended 2014 to 2017 which were accrued in prior years and were paid on 30 June 2017.

13. Subsequent events

There were no significant events occurring subsequent to balance date that have not been disclosed.