



World Masters Games 2017 Limited Annual Report

FOR THE YEAR ENDED 30 JUNE 2016

Contents

Directory	3
Statement from the Chairman and Chief Executive	4
Statement of Service Performance	5
Directors' Report	8
Independent auditor's report	9
Financial Statements	11
Statement of comprehensive revenue and expenditure	11
Statement of changes in equity	12
Statement of financial position	13
Statement of cash flows	14
Notes to the financial statements	15
1. Reporting entity and basis of preparation	15
2. Revenue	16
3. Employee benefits	17
4. Other expenses	17
5. Receivables	17
6. Property, plant and equipment	18
7. Payables and accruals	19
8. Employee entitlements.....	19
9. Equity	20
10. Commitments and operating leases	20
11. Related party transactions	21
12. Remuneration	22
13. Financial risk management	22
14. Subsequent events.....	22
Appendix 1 - Register Of Board Meeting Attendance Year Ended 30 June 2016	23

Directory

Directors

The Directors as at and for the year ended 30 June 2016 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 Ltd (100%)
Level 8, 139 Quay Street
Auckland, 1010
New Zealand

Registered Office

9 Nelson 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 (the Games) is the largest multi-sport event in the world. It will be the largest sporting event in New Zealand since Rugby World Cup 2011 and is regarded as the largest event New Zealand will deliver in at least the next decade. In terms of athlete numbers, it is bigger in scale than even the Olympics. Auckland will host the event from 21 to 30 April 2017 during which time athletes from around the globe will compete in 28 sports across 48 competition venues.

World Masters Games 2017 seeks to deliver \$30.8 million GDP and 244,000 visitor nights to Auckland's economy and \$53 million GDP and 266,000 visitor nights to the wider New Zealand economy. The Government (\$11 million) and Auckland Tourism Events and Economic Development (\$11.75 million) have invested approximately two thirds of the \$35.85 million required to stage the event with the remainder to come from registration fees and commercial sponsorship.

From a standing start in 2013, World Masters Games 2017 Limited (WMG2017) currently has 40 employees. This number will grow to approximately 55 by Games time, with the support of up to 4,000 volunteers. There has been substantial progress made in the last financial year, the most notable achievements are outlined in the Statement of Service Performance that follows. Conversely, one of the greatest challenges WMG2017 has faced over the past twelve months has been working with the accommodation sector in Auckland. Ensuring there is a sufficient level of inventory that is reasonably priced in order to ensure the Games proposition is attractive and affordable for athletes from around the globe.

The continued focus in the year ahead is achieving the project's major KPIs. The support and positive level of engagement from sport delivery partners, competition venues, funding partners, rights holder and key stakeholders continues to be immense and is as instrumental as ever to the success achieved to date and in embarking on the journey ahead. Fostering and developing these relationship remains a top priority. WMG2017 is on track to achieving its vision of not just delivering the best World Masters Games ever, but one that ignites a passion for master's sport and enables inspirational stories to be told around the globe of those competing.

Yours in sport



Sir John Wells
Chairman



Jennah Wootten
Chief Executive

Statement of Service Performance

World Masters Games 2017 Limited

World Masters Games 2017 Limited (WMG2017) was incorporated on 19 September 2013 and is a 100 per cent owned subsidiary of Auckland Tourism, Events and Economic Development (ATEED). WMG2017 is responsible for the delivery of the World Masters Games in Auckland and the Waikato in April 2017 (the Games). WMG2017 has its own independent expertise-based board of directors, guided by the Constitution and Terms of Reference put in place by ATEED as shareholder.

WMG2017 leads all aspects of the Games planning, with the exception of leverage and legacy activities which are led by ATEED. Core activities of the organisation include:

- Contracting and partnering with the sports organisations and venues to be part of the sports programme for the Games
- Marketing the Games to ensure athlete registration and volunteer application targets are met
- Securing sponsorship and commercial partnerships
- Legal aspects including insurances, risk management and compliance
- Operational delivery of the Games

WMG2017 is a multi-year project. The major key performance indicators (KPIs) are based on the outcome of the Games and are specified in the Terms of Reference between ATEED and WMG2017. Achieving those KPIs will be the basis on which the performance of the organisation is judged. For this reason, there are no specific annual KPIs. However, the organisation continues to ensure that regular reporting to ATEED, the Ministry of Business, Innovation and Employment (MBIE), and International Masters Games Association (IMGA) reflects appropriate budgetary and financial management, and risk management, and demonstrates progress with the planning of the Games and achieving milestones.

Statement of Service Performance (continued)

Outputs and Outcomes

Objectives	Performance measures / indicators
Deliver an exceptional and memorable Games experience for athletes, New Zealanders and stakeholders.	<ul style="list-style-type: none"> • A survey of competitors/participants captures that more than 85 per cent agree that the Games were well organised. • 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.
Deliver a balanced budget, achieving revenue targets and demonstrating sound financial management.	<ul style="list-style-type: none"> • A balanced budget. • 25,000 athletes and 3,333 non-playing officials and supporters. • The direct cost to ATEED does not exceed \$11.75 million and the direct cost to MBIE does not exceed \$11 million. • ATEED and MBIE are kept informed of the event's progress.
Ensure the economic benefit from the Games is realised.	<ul style="list-style-type: none"> • Auckland GDP impact meets or exceeds \$30.8 million.¹ • Auckland visitor nights exceed 244,000.¹
Deliver a benchmark Games that strengthens the global masters games movement.	<ul style="list-style-type: none"> • IMGAs agree that Auckland successfully met the obligations of the Hosting Agreement.

¹ The sport venue allocation process has resulted in two venues being located in the Waikato region, resulting in a reduction in the projected Auckland visitor nights of 26,697 (ATEED Statement of Intent 2015-18: Auckland visitor night exceed 250,810) and a reduction in the projected contribution to GDP of \$4.48m (ATEED SOI 2015-18: GDP \$36.16m). There is no impact on the national projections.

Progress made towards achievement of these objectives during the year ending 30 June 2016

Substantial progress has been made in the past financial year, the most notable achievements being:

- The opening of athlete registration portal in February 2016 and volunteer registration portal in March 2016 and subsequent flow of registrants and interest from across New Zealand and around the world.
- Successful delivery of the '1 Year To Go' milestone celebrations featuring mall and sports ground activations on 30 April 2016. Coinciding with this, an editorial wrap was created for the *New Zealand Herald* sport section and six regional newspapers.
- Social media audiences reached 30,000 in the year. Website unique visits topped 250,000 against a target of 200,000 for the year.
- Games awareness in Auckland doubled to 24 per cent during the year.

Statement of Service Performance (continued)

- The announcement of Eden Park as the location for the Opening Ceremony at a '500 days to go' celebration and a summary of how the opening ceremony will bring the unique culture of New Zealand to life in a show that will feature traditional Māori ceremony, cutting edge technology, performances, a tribute to the 28 sports of the Games, and the celebratory athletes march.
- The contracting of Volvo, Mediaworks, QMS and Airbnb as Experience Partners; Fuseport, KPMG and Highway as Product Partners; and Brian Perry Charitable Trust as a Trust Partner.
- The growth of the WMG2017 team to 40 people, as the operational focus moved from testing to delivery
- Contracting of a further three competition venues to take the total to 48.
- Development and submission of an application to the Government for the Games to be declared a major event under the Major Event Management Act 2007.
- An evaluation visit was undertaken by the IMGA Director of Sport in December 2015, and the IMGA confirmed its satisfaction with the positive progress being made by WMG217. No immediate issues were identified.

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 2016.

Sir John Wells
Chairman
1 September 2016

Diana Puketapu
Director and Audit Committee Chair
1 September 2016

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 2016

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 her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 11 to 22, that comprise the statement of financial position as at 30 June 2016, 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 7.

In our opinion:

- the financial statements of the company:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; 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; and
- the performance information of the company 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 2016.

The going concern basis on which the financial statements have been prepared

Without modifying our opinion, we draw your attention to note 1 on page 16 about the financial statements being prepared on a going concern basis, as the company will continue in operation until the World Masters Games 2017 and its related obligations are completed. These are expected to be completed by 30 June 2017. Decisions on the future of the company beyond this date have not yet been made. We consider the going concern basis of preparation of the financial statements and related disclosures to be appropriate to the company's circumstances.

Our audit was completed on 1 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance

information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company's financial statements and performance information 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the appropriateness of the reported performance information within the company's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements for the company that comply with generally accepted accounting practice in New Zealand and with the Public Benefit Entity Standards Reduced Disclosure Regime. The Board of Directors is also responsible for preparation of the performance information for the company.

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

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



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 2016

	Note	2016 \$'000	2015 \$'000
REVENUE			
	2		
Central government		2,625	2,500
ATEED		1,427	740
Commercial		876	616
Registrations		1,519	-
Other Revenue		15	-
		6,462	3,856
EXPENDITURE			
Employee benefits	3	2,560	1,596
Professional Fees (includes Sport Delivery)		1,128	295
IMGA Rights Fees		722	861
Directors Fees & Expenses		162	165
Utilities & Occupancy		164	83
Depreciation and amortisation	6	111	20
Marketing and Advertising		905	474
Venue Hire		250	38
Other expenses		742	417
Total expenditure		6,744	3,949
Surplus/(deficit) before income tax		(282)	(93)
Income tax expense		-	-
Surplus/(deficit) after income tax		(282)	(93)
DEFICIT IS ATTRIBUTABLE TO:			
Equity holder of World Masters Games 2017 Limited		(282)	(93)
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR IS ATTRIBUTABLE TO:			
Equity holder of World Masters Games 2017 Limited		(282)	(93)

Statement of changes in equity

For the year ended 30 June 2016

		ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY		
		Contributed equity	Accumulated funds	Total equity
		\$'000	\$'000	\$'000
Notes				
	Balance as at 1 July 2014	1	1,066	1,067
	COMPREHENSIVE REVENUE AND EXPENSE			
	Surplus/(deficit) for the period	-	(93)	(93)
	Total comprehensive revenue and expense	-	(93)	(93)
	Transactions with owners	-	-	-
	Balance as at 30 June 2015	1	973	974
	Balance as at beginning of the period	1	973	974
	COMPREHENSIVE REVENUE AND EXPENSE			
	Surplus/(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

Statement of financial position

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
CURRENT ASSETS			
Receivables	5	1,538	1,106
Prepayments		89	85
Total current assets		1,627	1,191
NON-CURRENT ASSETS			
Property, plant and equipment	6	31	145
Receivables	5	-	487
Prepayments		-	74
Total non-current assets		31	706
Total assets		1,658	1,897
LIABILITIES			
CURRENT LIABILITIES			
Payables and accruals	7	810	833
Employee entitlements	8	156	90
Total current liabilities		966	923
Total liabilities		966	923
Net assets		692	974
EQUITY			
Contributed equity		1	1
Accumulated funds		691	973
Total equity	9	692	974

Statement of cash flows

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from revenue		5,431	2,716
Payments to suppliers and employees		(6,225)	(3,571)
Net cash from operating activities		(794)	(855)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposals/(purchases) of property, plant and equipment	6	-	(124)
Net cash from investing activities		-	(124)
CASH FLOWS FROM FINANCING ACTIVITIES			
Funding from parent		794	979
Net cash from financing activities		794	979
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 is to deliver the World Masters Games 2017 (the "Games"). The World Masters Games is the largest multi-sport event in the world. Auckland will host the event from 21 to 30 April 2017 during which time up to 25,000 athletes will compete in 28 sports across approximately 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 Public Benefit Entity (PBE) Reduced Disclosure Regime. WMG2017 is classified as a Tier 2 PBE due to not being publicly accountable and having expenses ≤\$30m. The new PBE Standards were adopted in the prior year.

The financial statements have been prepared on a going concern basis, as the Company will continue in operation until the completion of the Games and its related obligations. These milestones are expected to be completed by 30 June 2017, however no formal resolutions have been passed regarding when the Company will be liquidated. Based on the budget for the delivery of the Games and the current forecast, the Company will be able to meet its obligations, as and when they fall due.

The financial statements have been prepared under the historical cost convention and the accounting policies have been applied consistently throughout the period. As the Games will be delivered in April 2017, the majority of assets and liabilities are classified at 30 June 2016 as current, as through the Company's normal operating cycle it is expected they will be realised within twelve months after this reporting date. 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. In the 2015 financial year (comparative period), the Company made changes to accounting policies and disclosures due to the first time application of the new PBE Accounting Standards. These adjustments are reflected in the comparative information presented and there have been no further changes in the accounting framework or policies applied in the current year.

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 2).

2. Revenue

	2016	2015
	\$'000	\$'000
Central government	2,625	2,500
ATEED	1,427	740
Commercial	876	616
Registrations	1,519	-
Other Revenue	15	-
Total revenue	6,462	3,856

WMG2017 derives its revenue from non-exchange transactions and is measured at fair value. Non-exchange transaction revenue arises when WMG2017 receives 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 provides for a capped level of funding of \$11m for delivery of the Games. The funding is payable in instalments based on the satisfactory completion of relevant project tasks or milestones. As a consequence, the contract is considered executory contract and revenue is recognised when milestones are met.
ATEED	The Terms of Reference and subsequent variations between WMG2017 and ATEED provide for funding of \$11.76m for delivery of the Games. The funding is provided by cash flow funding and funded staff secondments. Under the Terms of Reference there are reporting milestones and the funding is provided based on annual forecasts as part of the Auckland Council's long term plan ("LTP"), up to the agreed cap of \$11.76m for the whole of programme. It is therefore deemed an executory contract and revenue is recognised when milestones are met.
Commercial	<p>WMG2017 has entered into a number of contracts with Commercial Partners which provide for funding of approximately \$4.6m for delivery of the Games. Each contract is separately reviewed to identify whether it includes 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 is recognised when it becomes receivable unless there is an obligation to return the funds if conditions of the grant or partnership agreement are not met. If there is such an obligation, the funding is initially recorded as amounts received in advance and recognised as revenue when milestones are satisfied.</p> <p>The amount of revenue arising from goods or services in kind in 2016 is \$96,600 (2015: \$25,800) and is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. Fair value is 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.</p>
Registrations	<p>Registrations includes the package fees from Athletes and Supporters to participate in the Games. Revenue is recognised when received and includes the service and banking fees charged by WMG2017 to offset related expenses incurred.</p> <p>The Participation terms and conditions include allowances for full or partial refunds in limited circumstances and to date these have not been material.</p>

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

3. Employee benefits

	2016	2015
	\$'000	\$'000
Salaries and wages	2,527	1,525
Defined contribution plan employer contributions	15	3
Other staff expenses	25	30
Increase/(decrease) in annual leave liability	(7)	38
Total personnel expenses	2,560	1,596

Employee entitlements for salaries and wages, annual leave and other similar benefits are recognised as an expense and liability as they accrue to employees.

4. Other expenses

The auditors of the financial statements are Audit New Zealand. Audit fees for the financial statements audit are \$16,000 (2015: \$16,000). Other than the fee for the audit of the financial statements, fees of \$2,663 (2015: Nil) were paid for assurance engagements to report on grant funding being used for the purpose it was intended.

In 2016 there are no gains or losses incurred on the disposal of fixed assets (2015: \$23,000 loss).

5. Receivables

	2016	2015
	\$'000	\$'000
CURRENT		
Trade receivables	515	58
Accrued revenue	-	563
Related party receivables (see note 11)	325	-
Other receivables	698	485
	1,538	1,106
NON CURRENT		
Other receivables	-	487
	-	487
Total receivables	1,538	1,593

Trade receivables are amounts due from revenue invoiced. Other receivables includes non-exchange revenue which will be 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.

6. Property, plant and equipment

	CURRENT YEAR MOVEMENTS						30 JUNE 2016		
	1 JULY 2015	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000	Current year additions \$'000	Current year disposals \$'000	Current year depreciation \$'000	Cost \$'000	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000
OPERATIONAL ASSETS									
<u>At cost</u>									
Furniture, fittings and equipment	53	(8)	44	-	-	(32)	53	(40)	13
Computer equipment	29	(9)	20	-	(4)	(4)	25	(13)	12
Leasehold improvements	81	-	81	-	-	(75)	81	(75)	6
Total operational assets	163	(17)	145	-	(4)	(111)	159	(128)	31
	PRIOR YEAR MOVEMENTS						30 JUNE 2015		
	1 JULY 2014	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000	Prior year additions \$'000	Prior year disposals \$'000	Prior year depreciation \$'000	Cost \$'000	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000
OPERATIONAL ASSETS									
<u>At cost</u>									
Furniture, fittings and equipment	52	(10)	42	34	(20)	(12)	53	(8)	44
Computer equipment	26	(3)	23	9	(3)	(8)	29	(9)	20
Leasehold improvements	-	-	-	81	-	-	81	-	81
Total operational assets	78	(13)	65	124	(23)	(20)	163	(17)	145

6. Property, plant and equipment (continued)

Property, plant and equipment are shown at cost, less accumulated depreciation. Cost includes any costs that are 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 is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to WMG2017 and the cost of the item can be measured reliably.

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.

Depreciation on assets is 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 reviews the useful lives and residual values of its property, plant, and equipment each reporting date and has reduced the useful life in the current year to reflect the assets will not be required beyond 30 June 2017, post Games wrap up. As a consequence, the useful lives applied are as follows:

- Furniture, fittings and other office equipment: 1 – 4 years (2015: 1 – 6 years)
- Computer Equipment: 1 – 4 years
- Leasehold improvements: 2 – 3 years (lease term)

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

7. Payables and accruals

	2016	2015
	\$'000	\$'000
CURRENT		
Creditors	45	148
Accrued expenses	710	379
Related party payables	30	306
Revenue in Advance	25	-
Total trade and other payables	810	833

Payables are stated at cost or estimated liability where accrued.

8. Employee entitlements

	2016	2015
	\$'000	\$'000
CURRENT		
Annual leave	46	20
Accrued pay	110	70
Total current	156	90
Total employee entitlements	156	90

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. At balance date the only outstanding entitlements relate to annual leave and these will be settled within 12 months.

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 the Parent 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 is 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 is to ensure that WMG2017 effectively achieves its objectives and purpose, whilst remaining a going concern.

10. Commitments and operating leases

Contractual commitments

WMG2017 has entered into contracts to host and deliver the World Masters Games 2017. Any expenditure related to these contracts will be accounted for when they are incurred unless the expenditure is refundable in accordance with contractual milestones, and is therefore held as a prepayment until the event is held. Any known contractual obligations that have not been expensed are included as commitments below. The value of these contracts does not exceed Auckland Council funding reflected in the long term plan 2015 – 2025.

	2016 \$'000	2015 \$'000
Less than one year	8,464	1,591
Between one and five years	769	6,097
Total non-cancellable contracts	9,233	7,688

As at 30 June 2016 there are approximately 30 (2015: 25) sporting partnership agreements in place with a variety of sporting bodies. These commitments total approximately \$3.7 million in value (2015: \$4.2 million).

ATEED has entered into a Host City Agreement with the International Masters Games Association (IMGA) on behalf of WMG2017. This Agreement commits ATEED to a hosting fee of €3.35m for which ATEED has entered into a contract to hedge the foreign currency. The hedge costs, where applicable, are recognised in WMG2017. Included within the total commitment value is the amount owing to IMGA of \$1.0 million in 2017 and \$0.8 million in 2018.

Operating leases commitments (as lessee)

WMG2017 leases property, plant and equipment in the normal course of its business. These leases have a non-cancellable term up until 2017. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2016 \$'000	2015 \$'000
MINIMUM OPERATING LEASE PAYMENTS PAYABLE:		
Less than one year	92	139
Between one and five years	-	62
Total non-cancellable operating leases as lessee	92	201

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 \$325,280 receivable.

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 ATEED has identified the opportunity of staff secondments from ATEED to WMG2017 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 has entered into several agreements for venue hire with Council controlled organisations which are either being hired at no cost or at a cost lower than normal commercial rates:

- Auckland Council Group – hire of several 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 has also signed letters of intent 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

	2016	2015
	\$'000	\$'000
Directors	160	159
Executive leadership team, including the Chief Executive	1,114	794
Total	1,274	953

12. Remuneration

	2016	2015
	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	-
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	5	2
\$140,000 - \$149,999	1	-
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	2	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
	2016	2015
	\$'000	\$'000
DIRECTORS' REMUNERATION BY DIRECTOR		
Sir John Wells (Chair)	60	60
Diana Puketapu	20	20
Kevin Ross	20	20
Martin Snedden	20	20
Dianne McAteer	20	20
Barry Maister (resigned 13 May 2015)	-	19
Graham Child (appointed 2 June 2015)	20	-
Total Directors Fees	160	159

13. Financial risk management

WMG2017's activities expose it to some financial risks including market risk, liquidity risk and credit risk. This is mitigated at the Parent level with ATEED's risk management programme. This focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of ATEED. ATEED's treasury management is carried out by the Auckland Council Treasury group, and their policies and procedures are applied. These policies do not allow any transactions that are speculative in nature to be entered into.

Debtors and other receivables and Trade and other payables are normally non-interest bearing and settled on 30 day terms, therefore the carrying value approximates fair value.

14. Subsequent events

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

Appendix 1 - Register Of Board Meeting Attendance Year Ended 30 June 2016

WORLD MASTERS GAMES 2017 LIMITED REGISTER OF BOARD MEETING ATTENDANCE YEAR ENDED 30 JUNE 2016									
	06/08/2015 Board Meeting 15	08/10/2015 Board Meeting 16	09/12/2015 Board Meeting 17	16/02/2016 Board Meeting 18	17/03/2016 Board Meeting 19	14/04/2016 Board Meeting 20	12/05/2016 Board Meeting 21	09/06/2016 Board Meeting 22	
<u>Sir John Wells (Chair)</u>	YES	YES	YES	YES	YES	YES	YES	YES	
<u>Martin Snedden</u>	YES	YES	YES	YES	YES	YES	NO	YES	
<u>Dianne Mcateer</u>	YES	YES	YES	YES	NO	YES	YES	YES	
<u>Diana Puketapu</u>	YES	YES	YES	YES	YES	YES	YES	YES	
<u>Kevin Ross</u>	YES	YES	YES	YES	YES	YES	YES	YES	
<u>Graham Child</u>	YES	YES	YES	YES	YES	YES	YES	YES	