

# World Masters Games 2017 Limited Annual Report

FOR THE 10 MONTH PERIOD ENDED 30 JUNE 2014



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## Statement from the Chairman and Chief Executive



As the largest multi-sport event in the world, World Masters Games 2017 will be the largest sporting event New Zealand will have hosted since the successful Rugby World Cup 2011 and the largest event New Zealand will deliver in at least the next decade.

Over the past twelve months, the platform has been set to support World Masters Games 2017 in achieving its vision of not just delivering the best World Masters Games ever but one that ignites a passion for masters sport and enables inspirational stories to be told around the globe of those competing.

Although the financial detail that follows in this report is relatively straightforward it reflects the fact that our organisation is in its infancy. This should not however detract from the substantial progress made to date. The most notable of the 13/14 financial year achievements include:

- The development of a Foundation Plan, a guiding document that outlines how the organisation will go about delivering World Masters Games 2017 which has received endorsement from ATEED, MBIE and the International Masters Games Association. The working document includes detail on the whole of programme structure, profiles for each unique project, risk and insurance management, organisational wide policies, and the marketing, communications and product strategy.
- A budget refresh led by subject matter experts who scrutinised all aspects of the initial bid budget to ensure a fit for purpose and tested budget is endorsed by key stakeholders and owned by divisional heads.
- Securing Auckland's leading real estate firm Barfoot & Thompson as the presenting partner of World Masters Games 2017. An ideal partnership that is focused on showcasing Auckland and using the Games as a platform to maximise sport, health and lifestyle outcomes for young people, through to grandparents.
- The unveiling of the brand and identity for World Masters Games 2017, the slogan 'For the love of sport', the website [www.worldmastersgames2017.co.nz](http://www.worldmastersgames2017.co.nz) and key social media channels such as Facebook, Twitter and Instagram which will be key to helping secure the target of 25,000 athletes.
- Confirmation of the period within which World Masters Games 2017 will be held: 21 – 30 April 2017 which is immediately post Easter, within the school holiday period and incorporates Anzac Day.
- The announcement of the 28 sports which will feature in World Masters Games 2017 following a contestable bid process whereby sports bids were evaluated against a set criteria to determine which are most appropriate for inclusion.

From a standing start, World Masters Games 2017 currently has 10 employees. This number will grow to approximately 50 by Games time, with the support of approximately 5,500 volunteers. In just twelve months, a network of partners and stakeholders has been developed and fostered.

The support received from the 28 sport delivery partners, funding partners, rights holder and key stakeholders has been vast and instrumental to the success achieved to date. The strength of these relationships will become more evident as Games time draws near.

With just under three years to go, World Masters Games 2017 is poised to capitalise on the unique opportunity the Games present for Auckland, New Zealand and masters athletes around the globe.

Yours in sport

A handwritten signature in blue ink, appearing to read 'John Wells'.

Sir John Wells  
Chairman

A handwritten signature in blue ink, appearing to read 'Jennah Wootten'.

Jennah Wootten  
Chief Executive

INTRODUCTION

## Directors' report

The Board of Directors have pleasure in presenting the annual report of World Masters Games 2017 Limited, incorporating the financial statements and the auditors' report, for the year ended 30 June 2014.



Diana Puketapu  
Director & Chair - Audit Sub Committee  
29/09/2014



Dianne McAteer  
Director  
29/09/2014

## Independent Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

### Independent Auditor's Report

**To the readers of  
World Masters Games 2017 Limited's  
financial statements and statement of service performance  
for the period ended 30 June 2014**

The Auditor-General is the auditor of World Masters Games Limited (the company). The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

We have audited:

- the financial statements of the company on pages 8 to 25 that comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, and statement of changes in equity for the period ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on page 26.

### Opinion

#### Financial statements and statement of service performance

In our opinion:

- the financial statements of the company on pages 8 to 25:
  - comply with generally accepted accounting practice in New Zealand;
  - give a true and fair view of the company's:
    - financial position as at 30 June 2014; and
    - financial performance for the period ended on that date; and
- the statement of service performance of the company on page 26:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company's service performance achievements measured against the performance targets adopted for the period ended 30 June 2014.

## Independent Auditor's Report

### Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company as far as appears from an examination of those records.

Our audit was completed on 29 September 2014. 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 statement of service performance 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 statement of service performance. 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance 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 statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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 adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

## Independent Auditor's Report

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company's financial position and financial performance; and
- give a true and fair view of its service performance.

The Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance 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 statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Reporting Act 1993.

### Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

### 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.



Karen MacKenzie  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

# Financial Statements

## Statement of comprehensive income

For the 10 month period ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>INCOME</b>			
Sponsorship and grant revenue	4	3,515	-
<b>Total income</b>		<b>3,515</b>	<b>-</b>
<b>EXPENDITURE</b>			
Personnel costs	5	(785)	-
Depreciation and amortisation	8	(13)	-
Other expenses	6	(2,717)	-
<b>Total expenditure</b>		<b>(3,515)</b>	<b>-</b>
<b>Surplus/(deficit) before tax</b>		<b>-</b>	<b>-</b>
Income tax benefit/(expense)		-	-
<b>Surplus/(deficit) after tax</b>		<b>-</b>	<b>-</b>
<b>SURPLUS IS ATTRIBUTABLE TO:</b>			
Equity holders of World Masters Games 2017 Limited		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Equity holders of World Masters Games 2017 Limited		-	-


*RA* *hdm*



**Statement of changes in equity**

For the 10 month period ended 30 June 2014

	Note	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
		Contributed equity \$'000	Accumulated funds \$'000	Total equity \$'000
Balance as at beginning of the period		-	-	-
<b>COMPREHENSIVE INCOME</b>				
Surplus/(deficit) for the period		-	-	-
<b>Total comprehensive income</b>		-	-	-
Transactions with owners		1	-	1
<b>Balance as at 30 June 2014</b>		<b>1</b>	<b>-</b>	<b>1</b>

*KSH* 

**Statement of financial position**

As at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Debtors and other receivables	7	73	-
<b>Total current assets</b>		<b>73</b>	<b>-</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	65	-
<b>Total non-current assets</b>		<b>65</b>	<b>-</b>
<b>Total assets</b>		<b>138</b>	<b>-</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables and accruals	9	104	-
Employee entitlements	10	33	-
<b>Total current liabilities</b>		<b>137</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>			
Total non-current liabilities		-	-
<b>Total liabilities</b>		<b>137</b>	<b>-</b>
<b>Net assets</b>		<b>1</b>	<b>-</b>
<b>EQUITY</b>			
Contributed equity	11	1	-
<b>Total equity</b>		<b>1</b>	<b>-</b>

## 1 General information

On 19 September 2013, World Masters Games 2017 Limited (WMG2017) was incorporated.

A 100% subsidiary of Auckland Tourism, Events and Economic Development Limited (ATEED), this company was set up to manage the largest multi-sport event in the World, coming to Auckland in 2017. The World Masters Games is the pinnacle sporting event for many masters athletes.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

#### Statement of compliance

The financial statements of WMG2017 for the 10 month period ended 30 June 2014 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards as appropriate for public benefit entities.

World Masters Games 2017 Limited is a registered company under the Companies Act 1993 and is domiciled in New Zealand.

The financial statements have been prepared in accordance with the Financial Reporting Act 1993, Companies Act 1993, Local Government (Auckland Council) Act 2009 and Local Government Act 2002.

The financial statements are prepared in accordance with the reporting requirements of Section 11 of the Financial Reporting Act 1993. The company qualifies for differential reporting exemption based on the following criteria:

- It is not publicly accountable
- The company is 'not large' as defined by the New Zealand Institute of Chartered Accountants

The company has adopted all available differential reporting exemptions including the exemption from the requirement to produce a Statement of Cash Flows.

#### Measurement base

These financial statements have been prepared under the historical cost convention.

#### Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Company and Group is New Zealand dollars.

#### Comparative Figures

As this is the first period of operation as a limited liability company there are no comparative figures.

### 2.2 Changes in accounting policies

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, WMG2017 is classified as a Tier 2 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PBE standards). These standards were issued in May 2014 (2013) by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Company expects to transition to the new standards in preparing its 30 June 2015 financial statements.

WMG2017 has yet to finalise the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

### 2.3 Foreign currency translation

Foreign currency transactions (including those for which foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statements of comprehensive income of the Parent company (ATEED) as the contracts are held in ATEED's name.

WMG2017 Parent Company ATEED is party to forward exchange contracts on behalf of WMG2017. These were taken out in order to manage foreign exchange risk related to the fees payable to International Masters Games Association (IMGA) for managing the event. Although they are for WMG2017, as they are in the name of ATEED, they are therefore recognised and disclosed within the ATEED financial statements and do not appear under the financial statements for WMG2017.

ATEED is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in foreign exchange rates in accordance with their financial risk management policies.

These contracts are hedging highly probable forecasted transactions.

### 2.4 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are initially shown at cost or at fair value in the case where an asset is acquired at no cost or for a nominal cost, less accumulated depreciation and any impairment losses. 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.

#### Additions

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.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

#### Disposals

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

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. The useful lives have been estimated as follows:

<u>Class of asset depreciated</u>	<u>Estimated useful life (years)</u>
• Furniture, fittings and other office equipment	1-15
• Computer Equipment	1-8

### 2.5 Equity

Equity is ATEED's interest in the Company, being a council controlled organisation, as measured by total assets less total liabilities. Equity has been classified into various components to identify those portions of equity held for specific purposes. These components of equity are:

- Accumulated funds,
- Contributed equity

Contributed equity represents the transfer of assets on establishment of the Company.

## 2.6 Current and deferred income tax

WMG2017 has obtained an income tax exemption from IRD under section CN56 of the Income Tax Act 2007, as a Body promoting amateur games or sports. Therefore there is no income tax expense or deferred tax recognised in these accounts.

## 2.7 Goods and Services Tax (GST)

All GST transactions and processing for WMG2017 are conducted by the parent company ATEED. Therefore WMG2017 has no GST implications.

## 2.8 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable.

- Grants received from ATEED and the government (all received by way of ATEED who hold the contract with the relevant government department) are a source of funding to WMG2017.
- WMG2017 also receives and will receive sponsorship revenue from several secured sponsors.
- WMG2017 will also receive revenue from registration fees closer to the event taking place.
- ATEED, government, and non-government grants and sponsorships are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant or sponsorship agreement are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the contract are satisfied.
- Revenue from registration fees will be recognised when sold to the customer. The recorded revenue will be the gross amount of the fee, including if applicable credit card fees payable for the transaction. Such fees will be included in other expenses.

## 2.9 Employee entitlements

Employee benefits that WMG2017 expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. At balance date, the only outstanding entitlements relate to annual leave.

## Superannuation schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income.

## 2.10 Leases

### *Lessee*

WMG2017 leases certain property, plant and equipment in its own name, however payment of the costs are facilitated through ATEED.

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 charged to the statements of comprehensive income on a straight line basis over the period of the lease.

Leases of property, plant and equipment, where the Company has been transferred substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The leased assets (the leased properties) and corresponding liabilities (the lease payments) are recognised in the statement of financial position. Interest on finance leases is charged to the statement of comprehensive income over the lease period. Leased assets are depreciated over the period the Company is expected to benefit from their use or the lease term if ownership at the end of the lease is uncertain.

### 2.11 Contracts

WMG2017 has entered into contractual arrangements for hosting, delivering and/or sponsoring the WMG2017 event in 2017. All expenditure incurred as a result of these contracts is expensed at the time of payment. The only exception to this is if the expenditure will be refunded if the particular event is not held, and then the expenditure is treated as a prepayment until the event is held.

### 2.12 Related Parties

Related parties include key management personnel, directors and their close family members and entities controlled by them. Key management personnel are the chief executive and executive leadership team. Close family members are spouses or domestic parties, children, dependants.

The Parent company (ATEED), subsidiaries and jointly controlled entities are also related parties.

## 3 Critical accounting estimates and judgements

In preparing these financial statements WMG2017 have made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

### Grant and sponsorship Income

Grant income is received by ATEED on behalf of WMG2017 and is recognised within WMG2017 accounts. Sponsorship income is received by WMG2017. Judgement is exercised when recognising grant income to determine if conditions of the contract have been satisfied. The judgement will be based on the facts and circumstances that are evident for each contract.

### Estimating useful lives and residual values of property, plant, and equipment

At each balance date, WMG2017 reviews the useful lives and residual values of its property, plant, and equipment. Assessing the appropriateness of useful life and residual value estimates requires WMG2017 to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. The Company minimises the risk of this estimation uncertainty by:

- physical inspection of assets;
- asset replacement programmes;
- review of second hand market prices for similar assets; and
- analysis of prior asset sales.

**4. Service and other revenue**

	2014 \$'000	2013 \$'000
Sponsorship	375	-
ATEED sponsorship fees	2,265	-
Central government sponsorship fees	875	-
<b>Total sponsorship and grant revenue</b>	<b>3,515</b>	<b>-</b>

Included within the ATEED sponsorship fees is \$1,122,089 relating to funding of the net deficit prior to incorporation.

**5. Personnel**

	2014 \$'000	2013 \$'000
Salaries and wages	752	-
Increase/(decrease) in employee entitlements	33	-
<b>Total personnel expenses</b>	<b>785</b>	<b>-</b>

Employer contributions to defined contribution scheme include contributions to Kiwisaver.

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## 6. Other expenses

	2014	2013
	\$'000	\$'000
Audit fees for financial statement audit	15	-
Marketing expenses	283	-
Professional services	241	-
Utilities and occupancy	63	-
Other operating expenses	137	-
Directors' fees and expenses	160	-
Grant, contributions and sponsorship	1,816	-
<b>Total other expenditure</b>	<b>2,717</b>	<b>-</b>

The auditors of the financial statements are Audit New Zealand. Other than fees in relation to the audit, no other remuneration was paid.

Included within the Grants, contributions and sponsorship expenditure is \$1,122,089 net contribution to ATEED for expenditure made prior to incorporation, broken down as follows:

Revenue	\$1,347,799
Expenditure	\$2,469,888
Net Surplus/(Deficit)	(\$1,122,089)

## 7. Debtors and other receivables

	2014	2013
	\$'000	\$'000
<b>CURRENT ASSETS</b>		
Related party receivables	68	-
Prepayments	5	-
	<b>73</b>	<b>-</b>



**8. Property, plant and equipment**

	CURRENT YEAR MOVEMENTS						30 JUNE 2014				
	1 JULY 2013	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000	Current year additions \$'000	Current year disposals \$'000	Transfers \$'000	Impairment charges	Current year depreciation \$'000	Cost \$'000	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000
<b>OPERATIONAL ASSETS</b>											
At cost											
Plant and machinery											
Computer equipment				26	(3)			(3)	26	(3)	23
Furniture, fittings and equipment				52	(10)			(10)	52	(10)	42
Motor vehicles											
Capital work in progress				78	(13)			(13)	78	(13)	65

	PRIOR YEAR MOVEMENTS						30 JUNE 2013				
	1 JULY 2012	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000	Prior year additions \$'000	Prior year disposals \$'000	Transfers \$'000	Impairment charges \$'000	Prior year depreciation \$'000	Cost \$'000	Accumulated depreciation & impairment charges \$'000	Carrying amount \$'000
<b>OPERATIONAL ASSETS</b>											
At cost											
Plant and machinery											
Computer equipment											
Furniture, fittings and equipment											
Motor vehicles											
Leased plant and equipment											
Leasehold improvements											
Capital work in progress											
<b>Total operational assets</b>											

*Handwritten signature and initials*

## 9 Payables and accruals

	2014	2013
	\$'000	\$'000
<b>CURRENT</b>		
Creditors	17	-
Accrued expenses	87	-
Inter Company Payable	-	-
<b>Total trade and other payables</b>	<b>104</b>	<b>-</b>

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

## 10 Employee entitlements

	2014	2013
	\$'000	\$'000
<b>CURRENT</b>		
Annual leave	33	-
<b>Total employee benefit liabilities</b>	<b>33</b>	<b>-</b>

## 11 Contributed equity

	2014	2013
	Shares	Shares
Opening number of ordinary shares issued	-	-
Issues of ordinary shares during the year/period	1,000	-
<b>Closing balance of ordinary shares issued</b>	<b>1,000</b>	<b>-</b>

## 12 Capital commitments and operating leases

### 12.1 Operating leases as lessee

WMG2017 leases property, plant and equipment in the normal course of its business. The majority of 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:

	2014 \$'000	2013 \$'000
<b>MINIMUM OPERATING LEASE PAYMENTS PAYABLE:</b>		
Less than one year	62	-
Between one and five years	16	-
More than five years	-	-
<b>Total non-cancellable operating leases as lessee</b>	<b>78</b>	<b>-</b>

### 12.2 Contractual Commitments

As at 30 June 2014, WMG2017 has entered into contracts to host and deliver The World Masters Games (2017). Any revenue and costs related to these events will be accounted for when they are incurred. Any known contractual obligations have been included as commitments.

WMG2017 have entered into a number of contracts to support the facilitation and delivery of the games in 2017. WMG2017 recognises future years financial commitment where, there is a clear obligation to pay and there is no indication the event will not occur.

As at 30 June 2014 there are approximately 25 sporting partnership agreements in place with a variety of sporting bodies. These commitments total approximately \$3.1 million in value. Also included as a commitment is the amount owing to IMGA of \$2.9 million (0.7 less than 1 year).

	2014 \$'000
Less than one year	697
Between one and five years	5,336
<b>Total non-cancellable contracts</b>	<b>6,033</b>

The value of these contracts does not exceed Auckland Council funding reflected in the long term plan 2012 – 2022.

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 3.5m Euro for which ATEED has entered into a contract to hedge the foreign currency. The hedge costs, where applicable, are recognised in WMG2017.

**13 Related party transactions**

	2014	2013
	\$'000	\$'000
<b>REVENUE</b>		
Funding from Parent	<b>2,265</b>	-

Related parties are defined in the Company's accounting policies. No disclosure has been made for transactions such as purchase of goods or services with related parties in the ordinary course of business and at arm's length basis.

Payments for transactions between related parties are made on normal commercial terms and are at arm's length. An interests register is maintained of Directors' and staff's declared interests and updated at each Board meeting.

ATEED as the Parent Company and sole shareholder of WMG2017, is a related party. As at 30 June 2014 there is a payable owing to ATEED of \$65,000 for the purchase of Fixed Assets during the period.

Auckland Council as the sole shareholder of WMG2017's Parent company ATEED, is a related party.

## 14 Remuneration

	2014 \$'000	2013 \$'000
<b>KEY MANAGEMENT REMUNERATION</b>		
Directors	160	-
Senior management salaries and other short term benefits	466	-
<b>Total key management remuneration</b>	<b>626</b>	<b>-</b>

	2014 Number of employees	2013 Number of employees
<b>THE NUMBER OF EMPLOYEES THAT RECEIVED OVER \$100,000 P.A. AS AT 30 JUNE IS AS FOLLOWS:</b>		
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$210,000 - \$219,999	1	-

	2014 \$'000	2013 \$'000
<b>DIRECTORS' REMUNERATION BY DIRECTOR</b>		
John Wells	60	-
Diana Puketapu	20	-
Kevin Ross	20	-
Martin Snedden	20	-
Dianne McAteer	20	-
Barry Maister	20	-
<b>Total Directors Fees</b>	<b>160</b>	<b>-</b>

### 15 Events occurring after the balance date

There were no significant events occurring after the Balance Date.

### 16 Financial risk management

WMG2017's activities expose it to some financial risks: 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.

	Notes	CARRYING AMOUNT		FAIR VALUE	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>FINANCIAL ASSETS</b>					
<b>Total financial assets</b>		<b>68</b>	<b>-</b>	<b>68</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
Creditors and other payables	9	(104)	-	(104)	-
<b>Total financial liabilities</b>		<b>(104)</b>	<b>-</b>	<b>(104)</b>	<b>-</b>
<b>Net financial assets/(liabilities)</b>		<b>(36)</b>	<b>-</b>	<b>(36)</b>	<b>-</b>

#### (a) Market risk

##### Foreign exchange risk

WMG2017 won the rights to host the World Masters Games 2017 in 2012 and as a consequence, ATEED, as the Parent company has an obligation to make Euro denominated rights payments in each of the 5 years until 2017. ATEED has hedged the foreign currency risk associated with these payments and entered into forward foreign exchange contracts for each of the payments in August 2013 to 2017.

Foreign currency risk arises when the cost of a product or service sourced offshore rises due to a deterioration in the exchange rate between the New Zealand dollar and the relevant foreign currency between the time a commitment is made to incur the expenditure and the time payment is actually made. ATEED is able to mitigate the risk of such an adverse movement in exchange rates by utilising the services of the Auckland Council Treasury group and by entering into forward foreign exchange contracts.

##### Interest rate risk

The Company has no borrowings and are therefore not exposed to interest rate risk.

#### (b) Credit risk

Credit risk is the risk that a third party will default on an obligation to WMG2017 and consequentially cause a loss. As ATEED undertakes all operations of cash and banking processes on behalf of WMG2017, all credit risk lies with ATEED and not WMG2017.

## 16 Financial risk management (continued)

### Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014 \$'000	2013 \$'000
<b>CASH AT BANK AND SHORT-TERM BANK DEPOSITS</b>		
"AA" Standard and Poor's rating	-	-
"AA-" Standard and Poor's rating	-	-
<b>Total cash at bank and short-term bank deposits</b>	<b>-</b>	<b>-</b>
<b>COUNTER PARTIES WITHOUT CREDIT RATINGS</b>		
Existing counterparty with defaults in the past	-	-
Existing counterparty with no defaults in the past	-	-
<b>Total counter parties without credit ratings</b>	<b>-</b>	<b>-</b>

### (c) Liquidity risk

Liquidity risk is the risk that WMG2017 will encounter difficulty raising liquid funds to meet commitments as they fall due.

Funding requirements of WMG2017 are provided, as needed, by ATEED by way of the Auckland Council Treasury group.

### Contractual maturity analysis of financial liabilities

30 JUNE 2014	On demand \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
<b>NON-DERIVATIVES</b>							
Creditors and other payables	104					104	104
<b>Total</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>104</b>

**16 Financial risk management (continued)**

**(d) Financial instruments by category**

**Assets as per balance sheet**

	Derivatives for hedging \$'000	Loans and receivables \$'000	Total \$'000
<b>AT 30 JUNE 2014</b>			
Debtors and other receivables	-	68	68
<b>Total</b>	-	68	68

**Liabilities as per balance sheet**

	Derivatives for hedging \$'000	Loans and Payables \$'000	Total \$'000
<b>AT 30 JUNE 2014</b>			
Trade and other payables	-	104	104
<b>Total</b>	-	104	104

*Handwritten signature and initials*



## 17 Capital management

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 that ATEED's sole shareholder, the Auckland Council to manage its revenues, expenses, assets, liabilities and general financial dealings prudently. By way of this requirement, WMG2017 must also do likewise. WMG2017 equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings. These are monitored by using cash flow forecast analysis and 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.

## 18 International Masters Games Association (IMGA) Rights Fees

The actual cost of purchasing the (Euro) €3.35 million for IMGA rights has been identified as being \$300,732 more than what had been provided for within the original games bid budget established and agreed by ATEED and Auckland Council, prior to the establishment of World Masters Games 2017 Ltd. This additional cost is the result of a difference between the Euro-NZ Dollar rate used in the original games bid budget versus that Euro-NZ Dollar rate achieved when forward cover for the €3.35 million was purchased by ATEED.

WMG2017 has recorded this unbudgeted amount as a note within these accounts and has raised this issue with its shareholder. In response ATEED has identified the opportunity of staff secondments from ATEED to WMG2017 to reduce the budgeted WMG operational costs including this amount.

Because of the material nature of the difference in cost, it is prudent of WMG2017 to record this amount as a note within these accounts.

# Statement of Service Performance

## World Masters Games 2017 Limited

As the largest multi-sport event in the world, World Masters Games 2017 will be the largest sporting event in New Zealand since the Rugby World Cup 2011 and the largest event New Zealand will deliver in at least the next decade.

World Masters Games 2017 Limited (WMG2017) was incorporated 19 September 2013 and is a 100% subsidiary of Auckland Tourism, Events and Economic Development (ATEED). WMG2017 has its own board, guided by the Constitution and Terms of Reference put in place by ATEED.

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

- Contracting sports organisations and venues to be part of the sports programme for WMG2017
- Marketing the Games to ensure registration targets are met
- Securing sponsorship and commercial partnerships
- Legal aspects including insurances, risk management and compliance
- Operational delivery of the event.

World Masters Games 2017 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 these 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 will ensure that regular reporting to ATEED, Ministry of Business, innovation and Employment (MBIE) and International Masters Games Association (IMGA) reflects appropriate budgetary and financial management, risk management and demonstrated progress with the planning of the Games and achieving milestones.

The project's major KPIs specified between ATEED and WMG2017 include:

- GDP impact meets or exceeds \$36.16 million
- Auckland visitor nights exceed 250,810
- The direct cost to ATEED does not exceed \$11 million and the direct cost to MBIE does not exceed \$11 million
- Revenue/ income managed to deliver a neutral and/or preferably a positive financial outcome
- IMGA agree that Auckland successfully met the obligations of the Hosting Agreement
- 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.

Over the past year the platform has been set to support WMG2017 in achieving its vision of not just delivering the best World Masters Games ever but one that ignites a passion for masters sport and enables inspirational stories to be told around the globe of those competing.

Although the organisation is in its infancy, substantial progress has been made to date. The most notable of the 2013/2014 financial year achievements include:

- The development of a Foundation Plan, a guiding document that outlines how the organisation will go about delivering World Masters Games 2017 which has received endorsement from ATEED, MBIE and IMGA The working document includes detail on the whole of programme structure, profiles for each unique projects, risk and insurance management, organisational wide policies and the marketing, communications and product strategy
- A budget refresh led by subject matter experts who scrutinised all aspects of the initial bid budget to ensure a fit-for-purpose revised budget, endorsed by key stakeholders and owned by divisional heads
- Securing Auckland's leading real estate firm Barfoot & Thompson as the presenting partner of World Masters Games 2017. This is an ideal partnership that is focused on showcasing Auckland and using the Games as a platform to maximise sport, health and lifestyle outcomes for young people, through to grandparents
- The unveiling of the brand and identity for World Masters Games 2017, the slogan 'For the love of sport', the website [www.worldmastersgames2017.co.nz](http://www.worldmastersgames2017.co.nz) and key social media channels such as Facebook, Twitter and Instagram which will be key to helping secure the target of 25,000 athletes
- Confirmation of the period within which World Masters Games 2017 will be held: 21 – 30 April 2017 which is immediately post Easter, within the school holiday period and incorporates Anzac Day
- The announcement of the 28 sports which will feature in World Masters Games 2017 following a contestable bid process whereby sports bids were evaluated against a set criteria to determine which are most appropriate for inclusion.

From a standing start, WMG2017 currently had 10 employees at year end. This number will grow to approximately 50 by Games time, with the support of approximately 5,500 volunteers. In a year, a network of partners and stakeholders has been developed and fostered.

The support received from the 28 sport delivery partners, funding partners, rights holder and key stakeholders has been vast and instrumental to the success achieved to date. The strength of these relationships will become more evident as games time draws near.

With less than three years to go, World Masters Games 2017 is poised to capitalise on the unique opportunity the event presents for Auckland, New Zealand and masters athletes around the globe.