

WAIMATE RACING CLUB INCORPORATED

Performance Report

For The Year Ended 31 July 2018

WAIMATE RACING CLUB INCORPORATED
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WAIMATE RACING CLUB INCORPORATED
ENTITY INFORMATION
FOR THE YEAR ENDED 31 JULY 2018

LEGAL NAME OF ENTITY

Waimate Racing Club Incorporated

ENTITY TYPE AND LEGAL BASIS

Not-for-profit public benefit entity under the Incorporated Societies Act 1908.

ENTITY'S PURPOSE OR MISSION

The primary objective of the Club is to promote, conduct and control harness racing and is registered with the New Zealand Thoroughbred Racing Code ("the Code") consistent with the Code's constitution. The Club is a recognised industry organisation in accordance with the Racing Act 2003.

ENTITY STRUCTURE

The Club is primarily engaged in a service activity with focus on conducting and promoting race meetings consistent with existing racing rules and regulations.

The Club's leadership and management team - along with a good number of volunteer members and staff - are involved in ensuring that race meetings are conducted as planned and to a level expected by participants, members and regulators alike.

MAIN SOURCES OF ENTITY'S CASH AND RESOURCES

The Club's mainline revenue is industry funding from the Code which is used to defray the costs and expenses on the Club's race meetings.

Revenue generated from investments and use of Club's assets include interest, dividends, rental and other fees.

MAIN METHODS USED BY ENTITY TO RAISE FUNDS

The terms and amount of industry funding revenue are agreed by the Code and the Club at the beginning of each racing year based on planned race-meeting events and activities.

In addition, proceeds from sale of goods and services (including charges for use of the Club's assets) are based on agreed price determined with reference to current market prices for such goods and services.

The Club also receives grants, subsidies and donations from various sources including Club members, individual and corporate sponsors and industry organisations (NZRB and the Code and other clubs). In particular, the Club receives from the NZRB gaming subsidies with respect to the Club's Class 4 gaming activities.

Of particular note, the Club receives services in kind which are considered vital in its race-meeting events; and



although these are highly appreciated, these are difficult to value and hence, not included in this Performance Report.

ENTITY'S RELIANCE ON VOLUNTEERS AND DONATED GOOD OR SERVICES

As discussed above, the Club is a recipient / beneficiary of various goods and services in kind. These proceeds are vital in the Club's race meeting events.

Services in kind come in the form of volunteers both during race meeting events and off-season. Volunteers (mostly members of the Club) are involved in the set-up of race meeting events, various activities during the event to ensure orderly conduct of the race, and in the day-to-day upkeep and maintenance of the Club's premises.

Without these donated goods and services, the Club would have required more funds to defray costs and expenses which would have potentially made the conduct of race meeting events even more challenging. On this basis, the Club highly values these donated goods and services and considers them a vital part of its operations.

ADDITIONAL INFORMATION

The Club is incorporated under the Incorporated Societies Act 1908 and is a recognised industry organisation in accordance with the Racing Act 2003.

As the Club is primarily involved in the conduct and promotion of race meetings - rather than the generation of profit - it is considered a not-for-profit entity for financial reporting purposes. Nonetheless, any profit generated provides the Club with more resources that make future operations more sustainable; these resources are held as cash reserves and available for use by the Club as the need arises.

Postal Address

P O Box 226, Lyttelton, New Zealand 8841

**WAIMATE RACING CLUB INCORPORATED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 JULY 2018**

DESCRIPTION OF ENTITY'S OUTCOMES

The Club is primarily engaged in the conduct and promotion of harness racing in the Canterbury area. Race meetings are held once per season at Oamaru Racecourse.

To ensure that the Club meets its goals, prize money has to be built-up from various sources that consequently enables a more attractive race participation.

The Club's management has also been actively working with the Code and the NZRB to ensure that industry funding remain a steady source of operational funding for race meetings.

DESCRIPTION & QUANTIFICATION OF OUR OUTPUTS

	2018	2017
Fixed Odds Turnover	\$275,453	\$191,131
Offcourse Turnover	\$501,509	\$448,362
Oncourse Turnover	\$14,945	\$15,574
Races	8	7
Stakes	\$101,000	\$90,000
Starters	86	72

The turnover figures as reported above is the total betting revenue made through the New Zealand Racing Board from which the Club receives a portion through industry funding.



WAIMATE RACING CLUB INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 JULY 2018

	NOTES	2018	2017
		\$	\$
Revenue			
Donations , fundraising and other similar revenue	1	1,800	1,680
Fees, subscriptions and other revenue from members	1	600	583
Revenue from race meetings	1	130,656	140,934
Interest, dividends and other investment revenue	1	4,940	1,855
Total Revenue		137,996	145,052
Expenses			
Volunteer and employee related costs	2	15,391	14,114
Costs relating to race meetings	2	128,242	115,262
Other expenses	2	4,617	4,535
Total Expenses		148,250	133,911
Surplus/(Deficit) for the Period		(10,254)	11,141

These Financial Statements must be read in conjunction with the accompanying Independent Auditor's report and the notes to the accounts.



WAIMATE RACING CLUB INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	NOTES	31 JULY 2018	31 JULY 2017
		\$	\$
Assets			
Current Assets			
Bank accounts and cash	3	87,074	90,851
Debtors and prepayments	3	8,761	8,393
Other Current Assets	3	106,263	101,439
Total Current Assets		202,098	200,683
Non-Current Assets			
Property, Plant and Equipment	5	14,778	17,752
Total Non-Current Assets		14,778	17,752
Total Assets		216,875	218,435
Liabilities			
Current Liabilities			
Creditors and accrued expenses	4	15,060	6,367
Total Current Liabilities		15,060	6,367
Total Liabilities		15,060	6,367
Total Assets less Total Liabilities (Net Assets)		201,816	212,068
Accumulated Funds			
Accumulated surpluses	6	201,816	212,068
Total Accumulated Funds		201,816	212,068

For and on behalf of the Committee

 11 December 2018
 Michael Cooney, President

 11 December 2018
 Gareth Murfitt, Secretary

These Financial Statements must be read in conjunction with the accompanying Independent Auditor's report and the notes to the account.



WAIMATE RACING CLUB INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	2018	2017
Cash Flows from Operating Activities	\$	\$
Donations, fundraising and other similar receipts	1,800	1,680
Fees, subscriptions and other receipts from members	600	583
Receipts from providing goods or services	26,788	53,657
Interest	116	416
Payments to suppliers and employees	(33,082)	(31,847)
Total Cash Flows from Operating Activities	(3,777)	24,489
Cash Flows to Investing and Financing Activities		
Cash Flows (to) Other Investing and Financing Activities	-	(100,000)
Total Cash Flows (to) Investing and Financing Activities	-	(100,000)
Net (Decrease) in Cash	(3,777)	(75,510)
Cash Balances		
Cash and cash equivalents at beginning of period	90,851	166,361
Cash and cash equivalents at end of period	87,074	90,851
Net change in cash for period	(3,777)	(75,510)

These Financial Statements must be read in conjunction with the accompanying Independent Auditor's report and the notes to the account.



WAIMATE RACING CLUB INCORPORATED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 JULY 2018

Basis of Preparation

The financial statements have been prepared in accordance with the Racing Act 2003, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP").

As the primary objective of the Club is not towards making financial returns but the promotion, conduct and control of harness racing, it has designated itself as a not-for-profit public benefit entity (PBE) for financial reporting purposes.

The Club has elected to apply PBE SFR-A (NFP) Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2,000,000. All transactions in the Performance Report are reported using the accrual basis of accounting. The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future.

Where a specific transaction is not covered by PBE SFR-A (NFP) – Accrual (PBE accrual standard), the Club applied guidelines under Tier 2 PBE Accounting Standards (Reduced Disclosure Regime). The affected items are discussed in detail under Tier 2 PBE Accounting Standards Applied section of this Performance Report.

(a) Revenue and Direct Costs and Expenses

Revenue is recognised when there is legal right to receive cash either in the current period or in the future. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from sale of goods are recognised when the inventories are sold while revenue from sale of services are recognised as revenue by the reference to the stage of completion of the service at balance date, based on the actual service provided as a percentage of the total service to be provided.

Revenue arising from grants, donations, subsidies and items of similar nature (collectively, revenues from non-exchange transactions) are recognised as revenue upon receipt of the asset unless a condition ("use or return" the asset received) is attached; in which case, a liability is initially recognised and upon satisfaction of the condition, the liability is reduced and revenue is recorded.

Expenses are recognised when there is legal obligation to pay cash either in the current period or in the future. This is the point where the expense is incurred by the Club.

The Club also received services-in-kind from various volunteers and members in conducting race meeting events. Although these are highly valued by the Club, these are difficult to measure and hence, not included in the Performance Report. Goods received in kind are recorded as assets when they are received.

(b) Trade Receivables

Trade receivables are recognised at estimated realisable value.

(c) Creditor/Payables

Creditors and accounts payable are recognised at estimated realisable value.

(d) Property, Plant & Equipment

Property, plant and equipment is measured initially at cost which includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent to initial recognition, property, plant and equipment are measured using the cost model. Under the cost model, the item is carried at cost net of accumulated depreciation and any impairment losses.

Depreciation is recorded to spread the cost of the asset over the expected useful life of the asset, using the straight line and diminishing value method. The expected useful life, depreciation method and any significant residual value are reviewed on a regular basis.

The Clubs recognises impairment loss on property, plant and equipment when it is assessed to exist usually indicated when the assets can no longer be used (or no longer serviceable for the intended purposes) in the normal operations of the Club other than those held for resale. Such loss is recorded as adjustment to the value of the asset and recognised in the statement of financial performance.

Depreciation rates and methods are as follows:

Plant and Equipment	CP	0% - 30%
Motor Vehicles	CP	8.5% - 30%

(e) Goods and Service Tax (GST)

The entity is registered for GST. All amounts are stated exclusive of GST except for accounts payable and accounts receivable which are stated inclusive of GST.

(f) Income Tax

Waimate Racing Club is exempt from income tax in accordance with the provisions of Section CW 47 (2) of the Income Tax Act 2007.

(g) Bank Account and Cash

Bank accounts and cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits with original maturities of 90 days or less).

(h) Investments

Investments are recognised upon purchase and initially measured at the amount paid. The Club's investments include investments in shares/equity in other entities and term deposits.

These are tested for impairment annually and when there is any indication of impairment (i.e., when the current market price falls below the acquisition cost) the value is adjusted to its current market price but only if it appears that the carrying amount of the investment will not be recovered. Any impairment is recognised in the statement of financial performance.

The Club has investments in term deposits with BNZ for which interest revenue is recognised during the term of the investment. These investments have original maturities of more than 90 days or those restricted for specific purposes are rolled on a continuing basis unless used by the Club for its operational cash requirements.

Measurement

All figures are rounded to the nearest dollar.

Changes in Accounting Policies

There have been no changes in accounting policies since the previous year. All policies have been applied on bases consistent with the previous year.

WAIMATE RACING CLUB INCORPORATED
NOTES TO THE PERFORMANCE REPORT
FOR THE YEAR ENDED 31 JULY 2018

	2018	2017
	\$	\$
1. Analysis of Revenue		
Donations, fundraising and other similar revenue		
Donations	1,800	1,680
Total Donations, fundraising and other similar revenue	1,800	1,680
Fees, subscriptions and other revenue from members		
Membership Subscriptions	600	583
Total Fees, subscriptions and other revenue from members	600	583
Revenue from race meetings		
NZTR Funding	128,500	137,500
Oncourse Turnover	1,395	1,344
Sponsorship	761	2,000
Total Revenue from race meetings	130,656	140,934
Interest, dividends and other investment revenue		
Interest Received	4,940	1,855
Total Interest, dividends and other investment revenue	4,940	1,855
	2018	2017
	\$	\$

2. Analysis of Expenses

Volunteer and employee related costs		
Secretarial Services	8,000	8,000
Wages	7,391	6,114
Total Volunteer and employee related costs	15,391	14,114
Costs related to race meetings		
Advertising	295	396
Bank Fees	80	40
Entertainment	692	396
General Expenses	69	109
General Race Meeting Expenses	20,849	17,779
Racecourse Rental	-	6,000
Repairs and Maintenance	5,257	185
Stakes	101,000	90,000
Trophies	-	357
Total Costs related to providing goods or services	128,242	115,262

The notes above are to be read in conjunction with the main statements. The Performance Report has been audited.



NOTES TO THE PERFORMANCE REPORT CONTINUED
 WAIMATE RACING CLUB
 FOR THE YEAR ENDED 31 JULY 2018

	2018	2017
	\$	\$
Other expenses		
Audit	1,641	1,200
Depreciation	2,976	3,335
Total Other expenses	4,617	4,535
	2018	2017
	\$	\$

3. Analysis of Assets

Bank accounts and cash

BNZ Call Account	60,620	50,555
BNZ Current Account	26,454	40,296
Total Bank accounts and cash	87,074	90,851

Debtors and prepayments

Accounts Receivable	400	340
GST	8,361	8,053
Total Debtors and prepayments	8,761	8,393

Other current assets

Term Deposit	106,263	101,439
Total Other current assets	101,439	101,439

	2018	2017
	\$	\$

4. Analysis of Liabilities

Creditors and accrued expenses

Accounts Payables	15,060	6,367
Total Creditors and accrued expenses	15,060	6,367

5. Property, Plant and Equipment

2018	Opening Carrying Amount	Purchases	Sales/Disposals	Current Year Depreciation and Impairment	Closing Carrying Amount
Equipment	17,752			2,976	14,778
Total	17,752			2,976	14,778

The notes above are to be read in conjunction with the main statements. The Performance Report has been audited.



NOTES TO THE PERFORMANCE REPORT CONTINUED
 WAIMATE RACING CLUB
 FOR THE YEAR ENDED 31 JULY 2018

2017	Opening Carrying Amount	Purchases	Sales/Disposals	Current Year Depreciation and Impairment	Closing Carrying Amount
Equipment	21,087			3,335	17,752
Total	21,087			3,335	17,752

6. Accumulated Funds

2018	Capital Contributed by Owners or Members	Accumulated Surpluses or Deficits	Reserves	Total
Opening Balance	-	212,069	-	212,069
Capital contributed by owners or members	-	-	-	-
Capital returned to owners or members	-	-	-	-
Surplus/(Deficit)	-	(10,254)	-	(10,254)
Distributions paid to owners or members	-	-	-	-
Transfer to Reserves	-	-	-	-
Transfer from Reserves	-	-	-	-
Closing Balance	-	201,816	-	201,816

2017	Capital Contributed by Owners or Members	Accumulated Surpluses or Deficits	Reserves	Total
Opening Balance	-	200,928	-	200,928
Capital contributed by owners or members	-	-	-	-
Capital returned to owners or members	-	-	-	-
Surplus/(Deficit)	-	11,141	-	11,141
Distributions paid to owners or members	-	-	-	-
Transfer to Reserves	-	-	-	-
Transfer from Reserves	-	-	-	-
Closing Balance	-	212,069	-	212,069

7. Commitments

There are no commitments as at 31 July 2018 (2017: nil)

8. Contingent Liabilities and Guarantees

There are no contingent liabilities or guarantees as at 31 July 2018 (2017: nil)

The notes above are to be read in conjunction with the main statements. The Performance Report has been audited.



9. Related Parties

Description of Related Party Relationship	Description of Transaction	2018 Value of Transaction	2017 Value of Transaction	2018 Amount Outstanding	2017 Amount Outstanding
Committee Members	Subscriptions	96	96	20	60
	Sponsorship from G J Hennessy	500	500	-	-
Waimate Hotel (owned by Treasurer)	AGM Drinks	-	(64)		
	Donations/Sponsorship	300	500		

10. Events After the Balance Date

There were no events that have occurred after the balance date that would have a material impact on the Performance Report. (2017: nil)

11. Ability to Continue Operating

The Club will continue to operate for the foreseeable future.

Independent Auditor's Report

Grant Thornton New Zealand Audit Partnership

L3, Grant Thornton House
134 Oxford Terrace
P O Box 2099
Christchurch 8140

T +64 4 474 8500
F +64 4 474 8509
www.grantthornton.co.nz

Report on the Performance Report

To the Committee of Waimate Racing Club Incorporated

Opinion

We have audited the performance report of Waimate Racing Club Incorporated on pages 2 to 13, which comprises the entity information, the statement of service performance, the statement of financial performance and statement of cash flows for the year ended 31 July 2018, the statement of financial position as at 31 July 2018, and notes to the performance report, including summary of significant accounting policies and other explanatory information.

In our opinion:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the accompanying performance report presents fairly, in all material respects,
 - the entity information for the year then ended;
 - the service performance for the year then ended; and
 - the financial position of Waimate Racing Club Incorporated as at 31 July 2018 and its financial performance, and cash flows for the year then ended

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), and the audit of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Performance Report* section of our report. We are independent of Waimate Racing Club Incorporated in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm has also provided class 4 gaming license information assurance services to the Waimate Racing Club Incorporated. Subject to certain restrictions, partners and employees of our firm may also deal with the incorporated society on normal terms within the ordinary course of trading activities of the business of the Club. These matters have not impaired our independence as assurance providers of the

Club for this engagement. The firm has no other relationship with or interest in, the Waimate Racing Club Incorporated.

Responsibilities of the Committee for the Performance Report

The Committee are responsible for:

- (a) Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- (b) the preparation and fair presentation of the performance report on behalf of the entity which comprises:
 - the entity information;
 - the statement of service performance; and
 - the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued on New Zealand by the New Zealand Accounting Standards Board, and

- (c) for such internal control as the committee determine is necessary to enable the preparation of the performance report that is free from material misstatement, whether due to fraud or error.

In preparing the performance report, the committee are responsible on behalf of Waimate Racing Club Incorporated for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee either intend to liquidate Waimate Racing Club Incorporated or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Performance Report

Our objectives are to obtain reasonable assurance about whether the performance report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this performance report.

As part of an audit in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Committee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the performance report or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying transactions and events in a manner that achieves fair presentation.
- Perform procedures to obtain evidence about and evaluate whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We communicate with the Committee 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.

Restriction on use of our report

This report is made solely to the Committee of the Waimate Racing Club Incorporated. Our audit work has been undertaken so that we might state to the Club's Committee those matters which we are required to state to them in our audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Waimate Racing Club Incorporated and the Waimate Racing Club Incorporated's Committee for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership



M D Stewart

Partner

Christchurch

11 December 2018

Independent Assurance Report

Grant Thornton New Zealand Ltd
L3, Grant Thornton House
134 Oxford Terrace
P O Box 2099
Christchurch 8140
T +64 4 474 8500
F +64 4 474 8509
www.granthornton.co.nz

Assurance Report on Waimate Racing Club Incorporated's compliance with the Racing club's betting licence conditions as set out in the Joint Letter to Clubs – FY 17-18 (Direct engagement)

To the Committee Members of Waimate Racing Club Incorporated

We have undertaken an assurance engagement on Waimate Club Incorporated's (the "Society") compliance, in all material respects, with the Racing club's betting licence conditions as set out in the Joint Letter to Clubs – FY 17-18 (the "licence conditions") for the year ended 31 July 2018.

Reasonable Assurance Opinion

In our opinion, the Society has complied, in all material respects, with the following licence conditions as set out in Appendix 2 (c)(iv)-(c)(v) of the licence conditions for the year ended 31 July 2018:

- The Society has applied all funds received by way of grant from any gaming trust (or other class 4 operator) for the purpose for which such funds were granted and otherwise in accordance with the policies of the relevant gaming trust (or other class 4 operator); and
- The Society has compiled a schedule of Racing Club Class 4 Gaming Grants Receipts which is attached to this opinion – refer to Appendix A.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we report the following with respect to the licence conditions as set out in Appendix 2 (c)(i)-(c)(iii) and the licence conditions:

- No matters have come to our attention that would cause us to conclude that the club has a class 4 operator's licence or a class 4 venue licence;
- No matters have come to our attention that would indicate that the club and committee members have any ownership or financial interest, directly or indirectly, in any venue operator; and
- No matters have come to our attention that would indicate that the club and committee members have any ownership or financial interest, directly or indirectly, in any class 4 operator.

Basis for Opinion/Conclusion

We conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* issued by the New Zealand Auditing and Assurance Standards Board.

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

The Society's Responsibilities

The Society is responsible for:

- a) The compliance activity undertaken to meet the licence conditions.
- b) Identification of risks that threaten the licence conditions identified above being met and controls which will mitigate those risks and the monitoring of ongoing compliance.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with the Professional and Ethical Standard 3 (Amended) issued by the New Zealand Audit and Assurance Standards Board, the Grant Thornton New Zealand Audit Partnership maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to:

- express an opinion on the Society's compliance, in all material respects, with the licence conditions, as set out in Appendix 2 (c)(iv)-(c)(v) of the licence conditions for the year ended 31 July 2018. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Society has complied in all material respects, with the licence conditions, for the year ended 31 July 2018.

An assurance engagement to report on the Society's compliance with the licence conditions involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the licence conditions. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance with the licence conditions; and

- express a limited assurance conclusion on the Society's compliance, in all material respects, with the licence conditions as set out in Appendix 2 (c)(i)-(c)(iii) of the licence conditions, for the year ended 31 July 2018. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that, the Society has not complied, in all material respects, with the licence conditions, for the year ended 31 July 2018.

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of discussion and enquiries of management and others within the entity, as appropriate, and observation and walk-throughs, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material non-compliance with the licence conditions is likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on compliance with the compliance requirements.

Other than in our capacity as the independent assurance practitioners we have no relationship with, or interests in, the Society.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with compliance requirements may occur and not be detected.

An assurance engagement for the year ended 31 July 2018 does not provide assurance on whether compliance with the licence conditions will continue in the future.

Restricted Use

This report is made solely to the Committee Members of the Society for the purpose of reporting in accordance with the licence conditions. Our compliance work has been undertaken so we can state to the Committee Members those matters undertaken and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee Members or the Society for our compliance work, or for any other purpose other than that for which it was prepared.

Grant Thornton New Zealand Ltd



M D Stewart

Partner

Christchurch

11 December 2018