



NZ Community Trust Annual Report **2018/19**

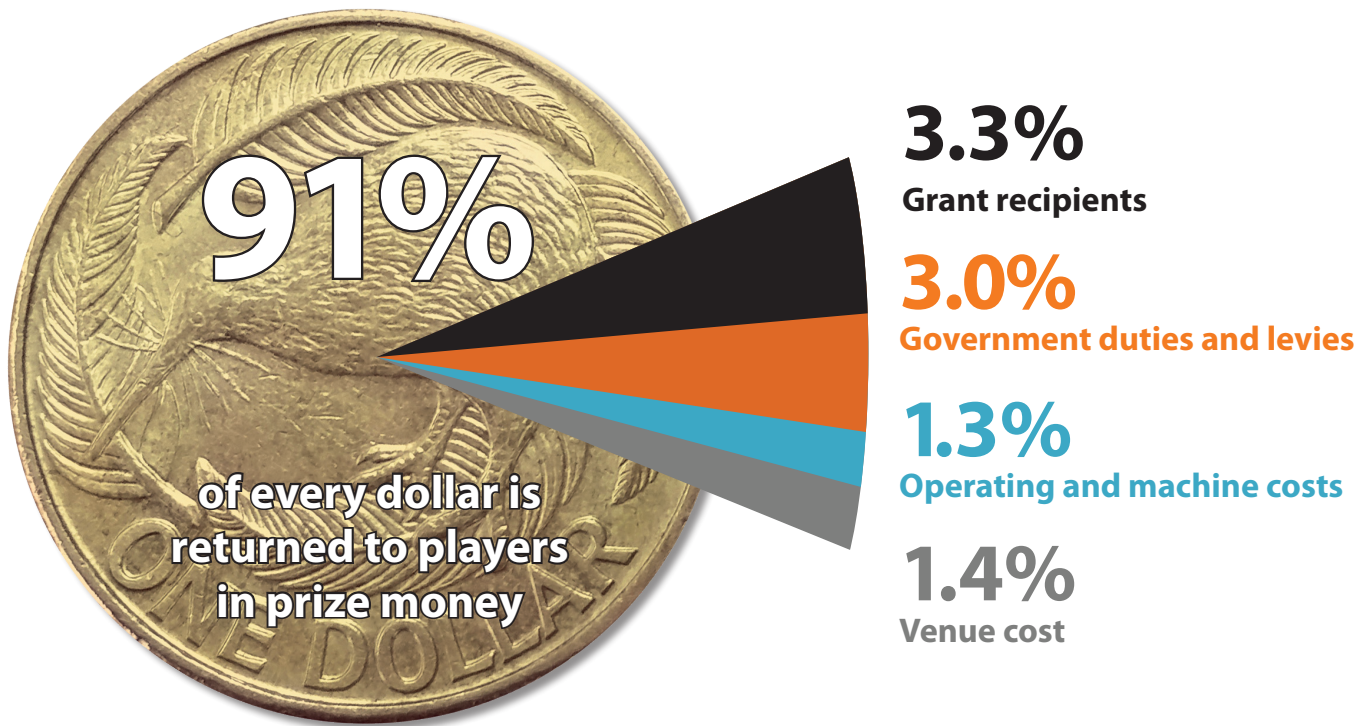


NZCT Annual Report 2018/19

NZCT is the largest gaming society and largest funder of amateur sports participation in New Zealand. Everyone at NZCT is passionate about the work we do and we're proud of the positive contribution we make to local communities throughout the country.

\$45.973 million surplus generated in 2018/19

\$44.998 million distributed to the community in 2018/19



Chairman's and Chief Executive's report

Delivering for the New Zealand community

We are honoured to lead NZCT's Board and staff in their mission to fund amateur sport and other worthy community causes. We are proud to be the largest supporter of amateur sports in New Zealand through returning around 75% of our total distributions to this purpose.

In 2018/19, we achieved a surplus, before distributions, of \$45.973 million, which is 41.8% of our total operating revenue. We were able to distribute a record amount of \$44.998 million through almost 2,300 grants to amateur sports clubs, rescue and life-saving services, education, health, the arts, and cultural and community groups across New Zealand. This is another excellent result. Achieving a good community return above the legal minimum of 40% continues to be challenging given we operate in an increasingly complex and competitive environment.

Greater understanding of Class 4's contribution to New Zealand communities

Critical to achieving greater public awareness and understanding of the role of Class 4 funding in the community is having a clear picture of the combined grants from all Class 4 gaming trusts. This work has been commissioned from independent consultants KPMG who have collated and analysed grants data for all societies from calendar years 2017 and 2018. Their reports provide a powerful and compelling illustration of the extent and impact of non-casino, non-club, Class 4 distributions, which totalled \$276 million in 2018 benefitting 10,850 organisations through over 28,000 grants. The report has been sent to the Minister for Internal Affairs and the Department of Internal Affairs, along with Sport NZ, who have committed to



Alan Isaac

helping fund this annual reporting in future years, which is an excellent and much-needed outcome.

The Gaming Machine Association of New Zealand also commissioned an independent, professional analysis of the report, *Measuring the Burden of Gambling Harm in New Zealand*, that was produced for the Ministry of Health by Central Queensland University and Auckland University of Technology. This report reached some alarming and, frankly, ludicrous conclusions about the impact of gambling on people's lives and has been cited at least fifteen times in advice to Ministers and submissions on regulation. The independent analysis concluded that the report contained numerous flaws, including the biased application of a one-sided method that only assesses the costs of gambling and not the benefits. We await the government's and public's response to release of the findings of the independent analysis.

The growing threat of online gambling

We were pleased to be able to make a submission this year to the Department of Internal Affairs on some possible options to regulate online gambling, which will increasingly impact on highly regulated gambling types, such as Class 4, that return funds to the community. The regulatory options presented arguably do not go far or fast enough and we have yet to see robust research being undertaken into the prevalence of overseas online gaming machine-type gambling that can be accessed locally. However, the Department's move to seriously consider regulatory mechanisms for this growing threat to our sector is heartening.

Focusing on best-practice harm minimisation using technology

NZCT now has facial recognition technology installed in 21 of our high-turnover venues with large numbers of self-excluded gamblers to help staff monitor their gaming rooms. We have seen positive results from this initiative, including a successful deterrent effect.

The technology requires a significant and sustained investment. Accordingly, we will continue to advocate for some of our problem gambling levy to be applied to this technology, including the on-going maintenance of a national database, the costs of which have to date been borne entirely by the sector.

Influencing local and central government policy

The Class 4 sector has achieved continued success this year with increasing awareness and understanding of the need for balance in local government gambling venue policies through constructive engagement with local authorities, more aligned messaging based on facts not fiction, and increasing support and advocacy from grant

recipients. As always, there is still more work to do in this space, especially now that local government elections have been held and there is a new contingent of mayors and councillors to inform and educate about the value of Class 4 grants to their communities and the need to maintain the funding infrastructure.

The sector's work has also continued on the recommended repeal of a provision of the Gambling Act contained in the Messara review of the New Zealand racing industry that, if implemented, could have significant impacts on the availability of Class 4 funding. The Department of Internal Affairs seems to have heard the sector on this issue and we are hopeful of a positive outcome for our grant recipients and their future funding.

We were also pleased by the outcome of the gambling levy rates review for the next three years, which reflects a much fairer approach to the levy calculation for Class 4 versus other gambling types.

Providing safe entertainment

NZCT works hard to support our venue operators and their customers, ensuring our venues are safe entertainment environments. We continue to develop our central call centre to respond quickly to venue issues, which significantly reduces machine down-time. We see this as a point of difference in the market; one which is cost-effective and provides us with flexibility that, importantly, keeps the focus on the needs of our venue operators.

Our strategy is prudent investment in machines and other assets, ensuring we offer some of the most up-to-date gaming products in the market.

Our approach and commitment to compliance and continual improvement in all that we do has again been recognised in our recertification of



Mike Knell

ISO 9001:2015. We are proud to lead in industry best practice and work collaboratively with sector colleagues in consultation with the regulator.

Gambling in Class 4 venues is arguably the safest environment in which to participate. The controls are robust and provide for an element of human interaction and entertainment under one roof. The ongoing development in technology will also enhance the experience.

Thank you, venue operators and staff

We want to thank our hard-working venue operators without whom we simply would not exist. They continue to meet the challenges of the industry and support our efforts towards sustainability, efficiency and maximum return to the community.

We also thank NZCT's staff, whose conscientious professionalism has been evidenced in another excellent result,

again achieved in a challenging and complex regulatory context. NZCT's strong community focus and the values-based principles adopted throughout our organisation make working for NZCT a pleasure and a passion. We look forward to working even harder to ensure sustainability of community grant funding. We believe all young Kiwis should have equal opportunities to play sport and engage in recreational activities, which improve the health and wellbeing of our communities.

We also wish to thank our trustees, especially David Pilkington for his astuteness and fairness in chairing our Net Proceeds Committee and Kerry Prendergast for her professional expertise chairing our Audit and Risk Committee. We also thank the many dedicated members of our ten Regional Advisory Committees for their outstanding insights and local knowledge into the grants consideration process.

As an industry, we can all be proud of the Class 4 model, which is unique in the world. It is transparent and accountable, delivering huge benefits to local communities through the distribution of 100 per cent of gaming profits that benefits close to 11,000 entities per year.

Alan Isaac
Chairman

Mike Knell
Chief Executive

A few words from our grant recipients



Sport Hawke's Bay

"Thank you for your recent support towards two key roles in our team. The Community Sport team plays an important role in connecting with a key workforce in the region. We work alongside volunteers, paid employees, officials, administrators, Board members and supporters of sport in Hawke's Bay. This funding will ensure we are able to assist in building a capable sports workforce across the region. Thank you and the trustees of New Zealand Community Trust once again. Sport Hawke's Bay appreciates the support the trust provides to the sport and recreation sector throughout the region."



Graeme Dingle Foundation

"Your support has helped us reach a major milestone! Thank you! 2019 is the year we have delivered our programme to over 250,000 Kiwi kids. We want every child to know: What they have inside is greater than any obstacle."



St Mary's College, Ponsonby

"Many thanks for your generous support for our recent appearance at the 2019 Schick Basketball Nationals. The event was a great experience for our girls. They won the bronze medal which was a huge achievement."



Cholmondeley Children's Centre

"At Cholmondeley we are approximately 80% community funded which makes it crucial we partner with the community to provide a safe haven for Canterbury children. We would like to say a big thank you to New Zealand Community Trust who have been generously supporting us for the past 5 years by part funding the salaries of our staff who coordinate our activities-based learning program (ABL). All tamariki who stay at Cholmondeley are given the opportunity to participate in our ABL program, which is designed to identify children's strengths and develop resilience. From all the staff here at Cholmondeley we would like to say a huge ka pai and thank you for helping us to create a safe, stimulating environment that supports children to enhance resilience and reduce whanau vulnerability."



Rotorua Community Hospice

"We're jumping for joy! A big thank you to New Zealand Community Trust for funding two of our registered nurses for six months. That's 182 days of care and support to people with a life-limiting illness. Thank you!"



Touch Canterbury

"We have such an amazing time supporting kids to have fun and improve their wellbeing, based around the physical, mental and emotional, social, and spiritual dimensions of health. We could not do this without the support of New Zealand Community Trust (NZCT) and are forever thankful for the part they play in supporting our sport and our community. We look forward to continuing this relationship for the betterment of all involved."



Auckland United Softball

"Our Club's women's teams look fantastic in the new uniforms as we continue to grow the female game within the Club. We also received funding for four batting nets which have been used during training sessions and are an invaluable resource for the teams as they improve their batting ability going into this new season. As always, a big thank you to the NZCT team for the funding grant that has allowed us to kit out our women's team with great gear. It is very much appreciated by the team, Club and the Committee."



Wainui Surf Life Saving Club

"Our first wedding enquiry since our ramp project has been completed and Peni, the pending groom, happened to need wheelchair access! He had been searching all over Gisborne to find a venue that could accommodate his needs, and whilst some venues catered for manual wheelchairs, we are the only venue he could find that suits his heavy electric chair. He was thrilled with the lovely wide ramp and stress-free entrance to the building – no tricky navigating skills required. I don't know who was grinning the most! Thank you again for helping us with this project – it really is going to make a difference in our community."

Funds at a glance for 2018/2019

Recipients (%)	Paid in 2018/2019	Paid in 2017/2018
\$1-\$10,000	61.0%	61.4%
\$10,001-\$50,000	29.6%	28.7%
\$50,001-\$100,000	4.7%	5.1%
\$100,001-\$500,000	4.6%	4.7%
\$500,001+	0.1%	0.1%

Recipients (Number)	Paid in 2018/2019	Paid in 2017/2018
\$1- \$10,000	1,215	1,179
\$10,001-\$20,000	340	326
\$20,001-\$30,000	121	112
\$30,001-\$40,000	76	53
\$40,001-\$50,000	52	60
\$50,001-\$75,000	44	57
\$75,001-\$100,000	51	42
\$100,001-\$150,000	35	40
\$150,001-\$200,000	32	24
\$200,001-\$300,000	15	19
\$300,001-\$400,000	8	5
\$400,001-\$500,000	2	2
\$500,001-\$750,000	0	0
\$750,001-\$1,000,000	1	0
\$1,000,001+	0	1
	1,992	1,920

Number of grant applications

PAID	2018/19	
	Number	Percentage
Sport	1,701	74.2%
Health & Education	331	14.4%
Community	144	6.3%
Arts & Culture	118	5.1%
	2,294	100%

2017/18	
Number	Percentage
1,727	76.8%
239	10.6%
156	6.9%
128	5.7%
2,250	100%

DECLINED	2018/19	
	Number	Percentage
Sport	328	43.4%
Health & Education	163	21.6%
Community	171	22.6%
Arts & Culture	94	12.4%
	756	100%

2017/18	
Number	Percentage
347	44.6%
163	21.0%
172	22.1%
96	12.3%
778	100%



Report of the Independent Auditors on the Summary Financial Statements

to the Trustees of New Zealand Community Trust

The summary financial statements comprise:

- the summary statement of financial position as at 30 September 2019;
- the summary statement of comprehensive revenue and expense for the year then ended;
- the summary statement of changes in equity for the year then ended;
- the summary cash flow statement for the year then ended; and
- the summary notes to the financial statements.

Our opinion

The summary financial statements are derived from the audited financial statements of New Zealand Community Trust (the 'Trust') for the year ended 30 September 2019.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 29 November 2019.

Information other than the summary financial statements and auditor's report

The Trustees are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report of the Independent Auditors on the Summary Financial Statements

to the Trustees of New Zealand Community Trust

Responsibilities of the Trustees for the summary financial statements

The Trustees are responsible, on behalf of the Trust, for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised), Engagements to Report on Summary Financial Statements.

Our firm carries out other services for the Trust in the area of agreed upon procedures in respect of the Trust's application for a gambling licence under the Gambling Act 2003. The provision of these other services has not impaired our independence as auditor of the Trust.

Who we report to

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Trust and the Trustees, as a body, for our audit work, for this report or for the opinions we have formed.



**Chartered Accountants
29 November 2019**

Wellington



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2019

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2019 \$000	2018 \$000
REVENUE		
Gaming machine profit	109,661	106,920
Interest received	10	15
Net gain on disposal of property, plant and equipment	324	477
Other revenue	22	88
Operating revenue	110,017	107,500
EXPENDITURE		
Administration expenses	6,213	5,857
Depreciation and amortisation	8,230	8,270
Gaming machine duty	25,222	24,592
Gaming operation expenses	6,927	7,057
Venue payments	17,452	16,982
Operating expenditure	64,044	62,758
SURPLUS FOR THE YEAR	45,973	44,742
DISTRIBUTION TO THE COMMUNITY	44,998	44,742
INCREASE/(DECREASE) IN COMMUNITY EQUITY	975	-
OTHER COMPREHENSIVE INCOME		
Gain on property revaluation	657	-
TOTAL COMPREHENSIVE INCOME	1,632	

SUMMARY STATEMENT OF CHANGES IN COMMUNITY EQUITY	2019 \$000	2018 \$000
Equity at the beginning of the year	12,027	12,027
Change in equity	1,632	-
Equity at the end of the year	13,659	12,027



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2019

SUMMARY STATEMENT OF FINANCIAL POSITION	2019 \$000	2018 \$000
Community equity	12,336	11,361
Property revaluation reserve	1,323	666
EQUITY	13,659	12,027
Current assets	4,427	3,205
Non current assets	20,835	20,309
Total assets	25,262	23,514
Current liabilities	11,603	11,487
Non current liabilities	-	-
Total liabilities	11,603	11,487
NET ASSETS	25,262	23,514

SUMMARY CASH FLOW STATEMENT	2019 \$000	2018 \$000
Net Cashflow from operating activities	9,131	8,279
Net Cashflow from investing activities	(7,854)	(8,584)
Net Cashflow from financing activities	-	-
Net (decrease) in cash and cash equivalents	1,277	(305)
Cash and cash equivalents at start of year	288	593
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,565	288



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2019

SUMMARY NOTES TO THE FINANCIAL STATEMENTS

- 1 The New Zealand Community Trust (the "Trust") is a charitable trust domiciled in New Zealand and registered under the Charitable Trusts Act 1957. The Trust raises funds through the operation of gaming machines primarily for the promotion of amateur sport in New Zealand.
- 2 The financial statements of the Trust for the year ended 30 September 2019 have been prepared in accordance with NZ GAAP, Tier 1 PBE Standards and other applicable Financial Reporting Standards, as appropriate for Public Benefit Entities. The functional and presentation currency for the Trust is New Zealand Dollars, rounded to the nearest thousand.
- 3 The summary financial statements have been extracted from the full financial statements. The financial statements of the New Zealand Community Trust including Statement of Comprehensive Revenue and Expenses, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement cannot provide a full understanding due to their summary nature. This understanding can be obtained only by reference to the annual financial statements of the Trust.
- 4 A copy of the financial statements may be obtained on request from the Trust's office (Telephone 0800 446 928), P O Box 10857, Wellington.
- 5 The Trust maintains an interest register in which the Trustees record all parties and transactions which they have an interest. At the time of discussion and approval of the grants the relevant trustee noted their involvement and excluded themselves from the decision making process. During the year the Trust made grant distributions to and purchased goods and services from the following organisations that were on the Trustee's register of interests:

Grant Distributions	2019 \$000	2018 \$000
Alex Moore Park Sport & Community Inc	150	-
Auckland Rugby League	43	53
Basin Reserve Trust	125	-
Boulcott's Farm Heritage Golf Club	2	-
Christchurch Football Club	-	47
Christchurch Football Club Netball Club Inc	5	-
Christchurch Metropolitan Cricket Assn	50	50
Cricket Wellington Inc	180	180
Johnsonville Cricket Club	20	20
Mary Potter Hospice	130	30
Miramar Golf Club	5	-
Netball NZ Inc	305	360
New Zealand Rugby Union	30	28
No 5 District Federation of NZ Football	301	230
NZ Cricket Inc	90	95
NZ Rugby League	195	90
NZ Rugby Union	30	28
Queen Margaret College	10	10
Riccarton Cricket Club	20	20
Royal NZ Plunket Society	10	55
Wellington Free Ambulance Board	-	100
Wellington Hockey	128	128
Wellington Rugby League	100	-
Goods or Services Purchased		
Peter Dale – reimbursement of travel expenses incurred on NZCT business	1	7
Fliway Group Limited	-	45

The complete breakdown of this disclosure can be found in Note 18 of the full financial statements.

New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2019

6 Capital Commitments at balance date are:

	2019 \$000	2018 \$000
Capital Purchase commitments	1,467	569

The nature of the commitments relate to orders in place for the purchase of Plant and Equipment.

7 Multi Year Grant Commitments at balance date are:

	2019 \$000	2018 \$000
Multi Year Grant commitments	1,795	1,542

In special circumstances the Trust may approve a multi-year grant, enabling an organisation to implement a specific project that provides long-term benefits to its local community. A multi-year commitment can be for up to four years, though the Trust generally will not commit beyond a three year period. Each instalment beyond year one must be reconfirmed before payment and will be conditional on the availability of funds, assurance that the funds will continue to be used as intended and desired outcomes are being achieved.

8 The annual full financial statements of New Zealand Community Trust have been audited by PricewaterhouseCoopers who have issued an unmodified audit opinion in respect to the financial statements on 29 November 2019.

9 The Trustees authorised the publication of these Summary Financial Statements on 29 November 2019.

10 These Summary Financial Statements are in compliance with PBE FRS-43: Summary Financial Statements.

11 There are no events subsequent to reporting date that require disclosure in the full financial statements.

Approved on behalf of the Board:



Alan Isaac
Chairman



Kerry Prendergast
Trustee

