



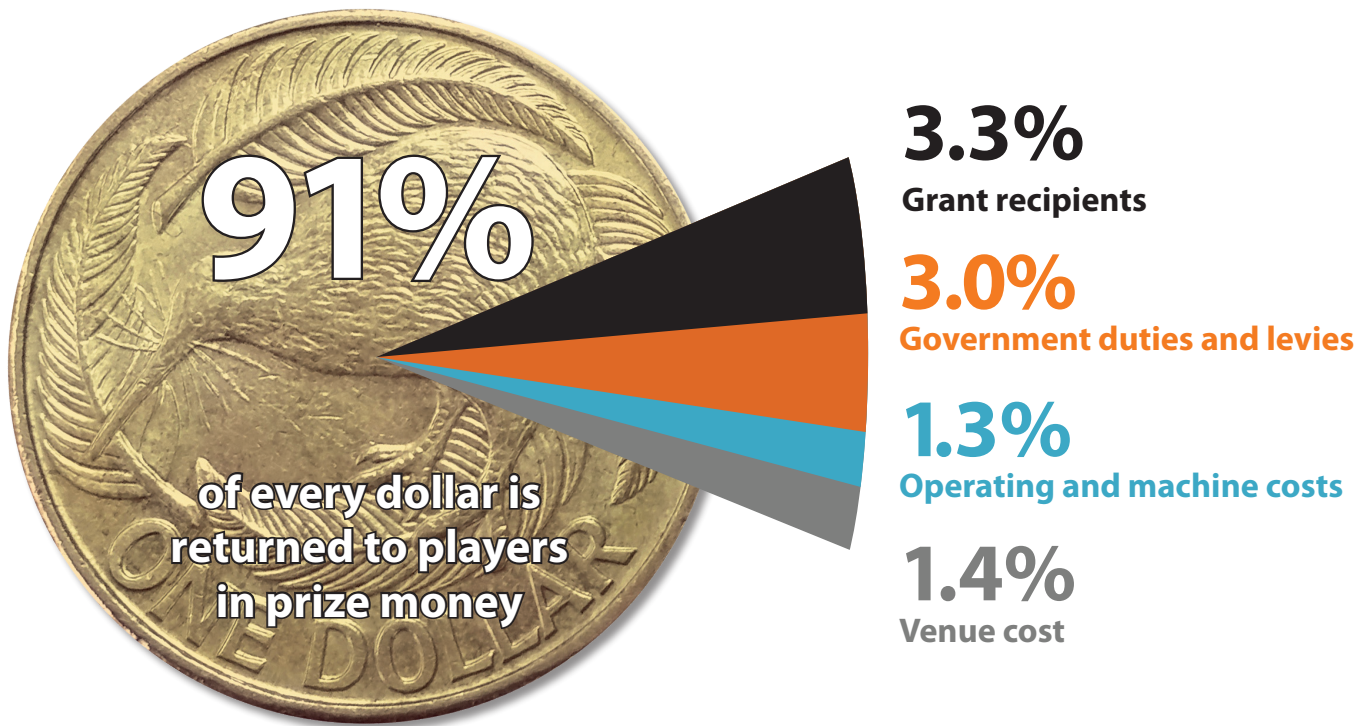
NZ Community Trust Annual Report **2017/18**

# NZCT Annual Report 2017/18

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.

**\$44.742 million surplus generated in 2017/18**

**\$44.572 million distributed to the community in 2017/18**



# Chairman's report

**A**s ever, I'm honoured to lead NZCT in its mission to fund amateur sport and other worthy community causes. We are proud to be the largest supporter of grassroots sports participation in New Zealand through returning more than 80% of our total distributions to this purpose.

In 2017/18, we achieved a surplus, before distributions, of \$44.7 million, which is 41.6% of our total revenue. We were able to distribute \$44.6 million through some 2,200 grants to amateur sports clubs, rescue and life-saving services, education, health, the arts, and cultural and community groups across New Zealand. This is an excellent result.

## ***Focusing on the threat of online gambling***

This past year has been another one of challenges and success for the Class 4 sector. Minister of Internal Affairs, Hon Tracey Martin, has signalled her intention not to pursue the wide-ranging review of the Class 4 sector begun under the previous Government. She understands the value of the current funding model, which is best placed to deliver an efficient, fast and flexible grants system that community organisations will continue to rely on in the absence of significant alternative funding to resource the grassroots services they provide.

We are pleased that the Minister has asked her Department to investigate online gambling, which will increasingly impact on highly regulated and visible gambling types such as Class 4 and will inevitably raise issues around monitoring of problem gambling and not generate any funds for distribution to the community. We hope this new focus for the Department will produce



Alan Isaac

robust research into the prevalence of online, gaming machine-type gambling which can be accessed locally. There is no reliable information as to local online accessibility and use, but it is inevitable that we will be impacted by the exponential growth of online sports betting and overseas casino-style websites, coupled with increasing online activity on the part of Lotto and the TAB. The blurring of the lines between video games and gambling is now a pressing issue for many international jurisdictions.

## ***Influencing local and central government policy and strategy***

We have achieved further 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 across the sector and

increasing support and advocacy from grant recipients. However, we still have work to do in this space, especially in Christchurch and Auckland, where the councils have rolled over existing anti-Class 4 policies, avoiding the requirement to consult with important stakeholders, such as grant recipients. In our view, councils that do not engage properly with those most likely to be impacted by the decline of community funding – grant recipients and suppliers of goods and services funded from Class 4 – are short-changing their communities.

In a collaborative effort with other gaming trusts, we rallied grant recipient organisations and other key stakeholders, to support the Class 4 sector on a key matter raised in the context of the Messara review of the New Zealand racing industry. The review recommended repeal of a provision of the Gambling Act that, if implemented, could have significant impacts on the availability of Class 4 funds for distribution to sports and other community organisations. In our view it was critical that the Department of Internal Affairs heard the community's voice on this issue and we were heartened by the huge response from grant recipients.

We have also made a detailed submission to the Ministry of Health on its proposed gambling harm prevention and minimisation strategy and gambling levy rates for the next three years. We raised important issues around accountability for and future application of previous levy under-spending, more focused and visible research initiatives, and recommended a fairer approach to the levy calculation, which currently penalises the non-casino gaming machine sector.

## Chairman's report continued

We will make further submissions in due course to the Gambling Commission, which will provide its recommendations to Government on the levy weightings, which will determine the share of each gambling type.

### ***Thank you venue operators***

I 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.

I also thank Mike Knell and his staff, whose conscientious professionalism has been evidenced in this year's excellent result, achieved in an increasingly challenging and complex regulatory context.

Finally, I thank my fellow 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. Finally, I thank the many dedicated members of our Regional Advisory Committees for their outstanding support again this year.

*Alan Isaac*  
Chair

# Chief Executive's report

## **Reporting another solid financial result**

I am pleased to report another solid financial result this year, which is the product of the ongoing hard work and commitment of our venue operators and NZCT staff. Achieving a good community return above the legal minimum of 40% continues to be challenging given we operate in an increasingly complex environment, against forces beyond our direct control.

## **Supporting local communities**

I commend our Operations, Finance, Compliance, Grants and Communications teams, who continue to explore innovative solutions, including the application of technology, so we can better serve our customers and meet the demands of the New Zealand community.

We know many of the organisations that receive our grants would struggle to survive without our funding. We also know we make a huge contribution to New Zealand communities and are proud to do so.

## **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 customers.

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 ISO 9001:2015. We are proud to take a lead in industry best practice and work collaboratively with sector colleagues, in consultation with the regulator. As an industry we can be proud of the Class 4 model, which is unique in the world. It is



Mike Knell

transparent and accountable, delivering huge benefit to local communities, through the distribution of 100 per cent of gaming profits.

## **Distributing over \$44 million to local communities**

The detail of NZCT's grant funding in 2017/18 can be seen in the following 'Funds at a glance for 2018' tables. Our Grants and Accountability teams continue to work hard to improve the experience of all those applying for and receiving grants, ensuring the online process is easy, efficient and rewarding for applicants.

## **Focusing on best-practice harm minimisation**

As always, we take our responsibilities towards the patrons of our venues very seriously. This year we have worked positively and collaboratively with our regulator, the Department of Internal Affairs, Ministry of Health and gambling provider services, on measures to further improve our own and the sector's approach to harm prevention and minimisation.

While New Zealand has one of the lowest problem gambling rates in the world – affecting only 0.2% of the adult population, according to the latest research – we are fully committed to making sure problem gamblers receive the specialist help they need, and we will continue to invest in this area.

NZCT is among several societies that have piloted innovative facial recognition technology, to help venue staff monitor for gamblers who have self-excluded from gambling venues. We have extended our trial of technology into six of our high-turnover venues with large numbers of excluded gamblers and are already seeing positive results, including a successful deterrent effect. The technology requires a significant and sustained investment. Accordingly, we will continue to lobby for some of our problem gambling levy to be applied to these advances, including the on-going maintenance of a national database, the costs of which have to date been borne entirely by the sector.

## **Acknowledging the dedication of our regional staff**

Finally, I acknowledge our hard-working regional managers and their staff, who are out in the field daily, in support of our operators and venue staff.

Our management and operational teams are proud of NZCT's strong sports focus and the values-based principles adopted throughout our organisation, which make working for NZCT both 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 well-being of our communities.

Mike Knell  
Chief Executive

# A few words from our grant recipients



## Ngati Porou East Coast Rugby Union

"Just thought I'd send you a picture of the building which is finally on site! As you can see, we still need to fit it out and re-fence etc but it's exciting to have progressed to this stage. Thanks again very much for your support."



## Papamoa Cricket Club

"We are very grateful for your support in our first year as a cricket club and without your assistance we are unable to provide a great community focused product."



## Nelson Golf Club

"I am delighted to send you a photo of the work on our foreshore replacement that has now been completed. Your support on this project was awesome and everyone here at Nelson Golf Club passes on their sincere thanks for supporting us in getting this done. We now have some protection back in place that will help us keep this facility fully open once again. I cannot thank you enough for your help."



## Taranaki Secondary School Sports Association

"TSSSA are proud to partner with New Zealand Community Trust (NZCT) and we are grateful for their support! Supporters like NZCT help us to deliver our program and provide meaningful sporting experiences for Taranaki Secondary School students!"



### Halberg Disability Sport Foundation

“Once again, our sincerest thanks and appreciation for your support of our work. We have been delighted by the response from many of those including athletes, volunteers and whanau.”



### Sanctuary Mountain Maungatautari:

“This [grant] will help ensure our aim is achieved to restore Sanctuary Mountain Maungatautari to a functioning ecosystem with competition, predation, parasitism and other interactions happening as they should in an ecosystem, where all the species interact, eventually creating a wonderfully intricate self-adjusting relationship. Many thanks again for your valued support.”



### Auckland Arts Festival

“Your support means we will be able to build on the success of the 2018 Festival and ensures that the Spiegeltent, a firm audience favourite, will return to Auckland’s Aotea Square in 2019. We are very grateful for this funding.”



### The Hearing House

“We’d like to say a very big THANK YOU to New Zealand Community Trust (NZCT) for approving funding towards the salary of one of our Auditory-Verbal Therapists. It’s funding such as this that helps us continue to run our services for free. Thank you for the support NZCT!”

# Funds at a glance for 2017

Recipients (%)	Paid in 2017/2018	Paid in 2016/2017
\$1-\$10,000	61.4%	66.8%
\$10,001-\$50,000	28.7%	24.3%
\$50,001-\$100,000	5.1%	4.3%
\$100,001-\$500,000	4.7%	4.3%
\$500,001+	0.1%	0.3%

Recipients (Number)	Paid in 2017/2018	Paid in 2016/2017
\$1- \$10,000	1,179	1,226
\$10,001-\$20,000	326	243
\$20,001-\$30,000	112	91
\$30,001-\$40,000	53	55
\$40,001-\$50,000	60	58
\$50,001-\$75,000	57	33
\$75,001-\$100,000	42	46
\$100,001-\$150,000	40	26
\$150,001-\$200,000	24	26
\$200,001-\$300,000	19	15
\$300,001-\$400,000	5	9
\$400,001-\$500,000	2	3
\$500,001-\$750,000	0	3
\$750,001-\$1,000,000	0	2
\$1,000,001+	1	0
	<b>1,920</b>	<b>1,836</b>

## Number of grant applications

PAID	2017/18	
	Number	Percentage
Sport	1,727	76.8%
Health & Education	239	10.6%
Community	156	6.9%
Arts & Culture	128	5.7%
	<b>2,250</b>	<b>100%</b>

2016/17	
Number	Percentage
1,686	77.8%
239	11.0%
128	5.9%
115	5.3%
<b>2,168</b>	<b>100%</b>

DECLINED	2017/18	
	Number	Percentage
Sport	347	44.6%
Health & Education	163	21.0%
Community	172	22.1%
Arts & Culture	96	12.3%
	<b>778</b>	<b>100%</b>

2016/17	
Number	Percentage
430	45.7%
214	22.8%
188	20.0%
108	11.5%
<b>940</b>	<b>100%</b>





# 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 2018;
- 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 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with PBE 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 under Public Benefit Entity International Public Sector Accounting Standards. 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 20 November 2018.

### ***Information other than the summary financial statements and auditor’s report***

The Trustees are responsible for the annual report. Our opinion on the summary 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 summary 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, except that not all other information was available to us at the date of our signing.



# 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 PBE 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 areas of agreed upon procedures in respect of the Trust's application for a gambling license 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  
20 November 2018**

**Wellington**



New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2018

<b>SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>REVENUE</b>		
Gaming machine profit	106,920	102,431
Interest received	15	24
Net gain on disposal of property, plant and equipment	477	573
Other revenue	88	322
Operating revenue	107,500	103,350
<b>EXPENDITURE</b>		
Administration expenses	5,857	5,652
Depreciation and amortisation	8,270	8,162
Gaming machine duty	24,592	23,559
Gaming operation expenses	7,057	6,778
Venue payments	16,982	16,328
Operating expenditure	62,758	60,479
<b>SURPLUS FOR THE YEAR</b>	<b>44,742</b>	<b>42,871</b>
<b>DISTRIBUTION TO THE COMMUNITY</b>	<b>44,742</b>	<b>42,373</b>
<b>INCREASE/(DECREASE) IN COMMUNITY EQUITY</b>	<b>-</b>	<b>498</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Gain on property revaluation	-	666
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-</b>	<b>1,164</b>

<b>SUMMARY STATEMENT OF CHANGES IN COMMUNITY EQUITY</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Equity at the beginning of the year	12,027	10,863
Change in equity	-	1,164
<b>Equity at the end of the year</b>	<b>12,027</b>	<b>12,027</b>



New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2018

<b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Community equity	11,361	11,361
Property revaluation reserve	666	666
<b>EQUITY</b>	<b>12,027</b>	<b>12,027</b>
Current assets	3,205	2,941
Non current assets	20,309	19,807
<b>Total assets</b>	<b>23,514</b>	<b>22,748</b>
Current liabilities	11,487	10,721
Non current liabilities	-	-
<b>Total liabilities</b>	<b>11,487</b>	<b>10,721</b>
<b>NET ASSETS</b>	<b>23,514</b>	<b>22,748</b>

<b>SUMMARY CASH FLOW STATEMENT</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Net Cashflow from operating activities	8,279	7,681
Net Cashflow from investing activities	(8,584)	(6,385)
Net Cashflow from financing activities	-	(1,500)
Net (decrease) in cash and cash equivalents	(305)	(204)
Cash and cash equivalents at start of year	593	797
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>288</b>	<b>593</b>



## New Zealand Community Trust

# Summary Financial Statements

For the year ended 30 September 2018

## 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 2018 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), PO 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 Trustees' register of interests:

<b>Grant Distributions</b>	<b>2018 \$000</b>	<b>2017 \$000</b>
Auckland Rugby League	53	-
Christchurch Football Club	47	40
Christchurch Metropolitan Cricket Assn	50	50
Cricket Wellington Inc	180	180
Holocaust Centre of New Zealand Inc	-	20
Johnsonville Cricket Club Inc	20	15
Lancaster Park Cricket Club	25	25
Marist Hockey Club	-	10
Mary Potter Hospice	30	-
Netball NZ Inc	360	400
No 5 District federation of NZ Football	230	259
NZ Cricket Inc	95	100
NZ Rugby League	90	100
NZ Rugby Union	28	29
Queen Margaret College	10	-
Riccarton Cricket Club	20	40
Royal NZ Plunket Society	55	-
Wellington Free Ambulance Board	100	100
Wellington Hockey	128	-
<b>Goods or Services Purchased</b>		
Peter Dale – reimbursement of travel expenses incurred on NZCT business	7	1
Fliway Group Limited	45	54

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 2018

**6** Capital Commitments at balance date are:

	<b>2018</b> \$000	<b>2017</b> \$000
Capital Purchase commitments	569	2,215

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:

	<b>2018</b> \$000	<b>2017</b> \$000
Multi Year Grant commitments	1,542	1,369

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 20 November 2018.

**9** The Trustees authorised the publication of these Summary Financial Statements on 20 November 2018.

**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



