



NZ Community Trust Annual Report

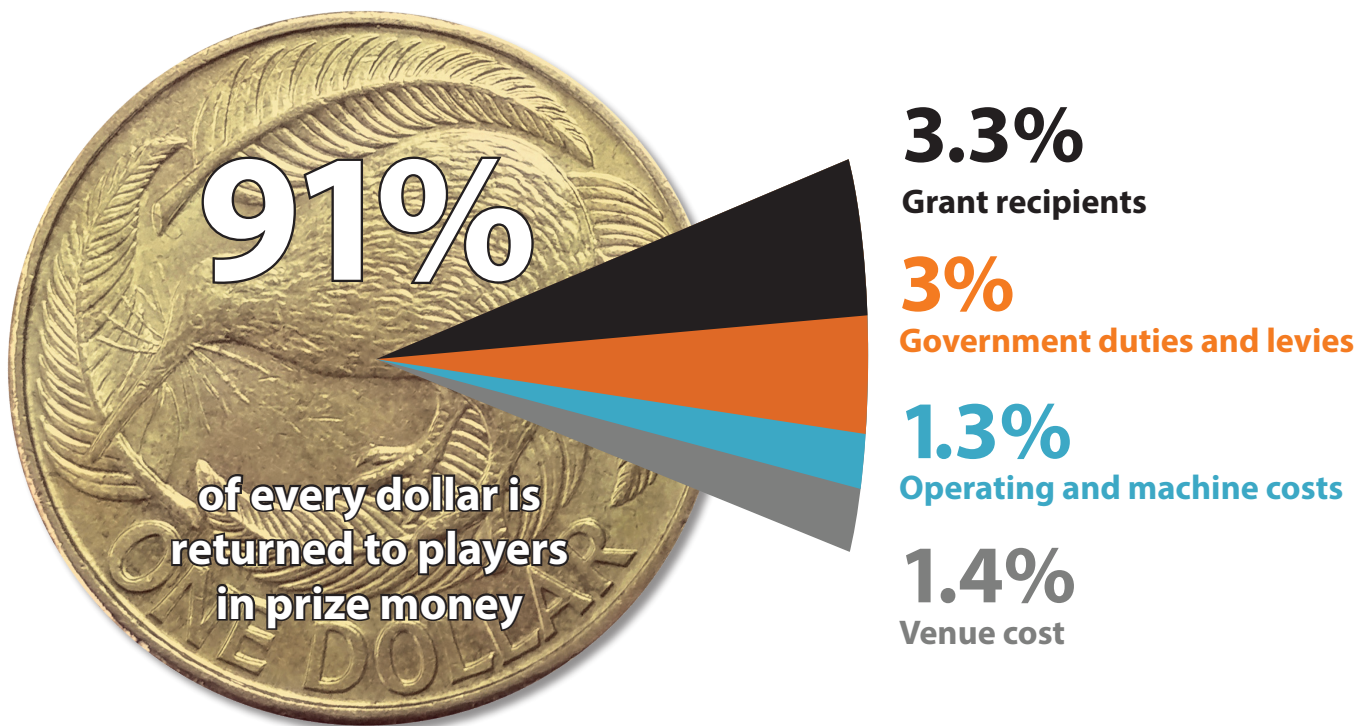
2016/17

NZCT Annual Report to Trustees 2016/17

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.

\$42.871 million surplus generated in 2016/17

\$43.335 million distributed to the community in 2016/17





Chairman's report

As ever, I'm honoured to lead NZCT in its mission to support New Zealand communities primarily with funding for amateur sport. We are proud to be the largest supporter of grassroots sports in New Zealand by returning around 80% of our surplus to sports in local communities. In 2016/17, we achieved a surplus, before distributions, of almost \$42.9 million, which is 41.5% of our gaming machine profit.

During the year, we were able to distribute \$43.3 million through 2,168 grants to amateur sports clubs, rescue and life-saving services, education, health, the arts, and cultural and community groups across New Zealand. In total New Zealand gaming trusts return circa \$300 million to local community organisations every year. The sector is an important source of funding for community activities for which there is no easy substitute.

Focusing on the long-term sustainability of our sector

Our gaming venues provide entertainment which is mainstream, widespread and socially accepted. Ministry of Health research has found that 80% of Kiwis regularly participate in gambling for entertainment, and many of these people play in our venues. We strive to ensure all of our customers enjoy gaming in a safe environment.

The wide-ranging Class 4 gaming sector review that began around 18 months ago was put on hold while New Zealanders elected their next government. We are yet to see any impact of the change in Government on the Class 4 gaming sector. Early indications are that the



Alan Isaac

new Minister of Internal Affairs, Hon. Tracey Martin, understands our sector and the issues that are important to us and is committed to the causes that are dear to us, particularly the wellbeing of New Zealand's youth.

I remain positive that the focus of the Class 4 Review will continue to be on long-term sustainability and a fit-for-purpose sector, along with effective allocation of funding to communities, without driving growth in gambling. We are committed to the current model, which is well placed to deliver the fast and flexible grants system that community organisations will continue to rely on in the absence of significant alternative funding.

Providing safe, controlled and regulated environments

Online gambling continues to impact

on both the sustainability of Class 4 gaming and the management of problem gambling. We still lack robust research into the prevalence of online, gaming machine-type gambling in New Zealand. However, it seems that every day we hear through the news media of the growth of online sports betting, new in-roads into the online environment by Lotto and the TAB, and the blurring of the lines between video games and gambling.

These are just three of the trends in online gambling that are worrying not only for the future of Class 4 gaming, but also for those vulnerable to gambling addiction in the unregulated online environment, particularly our children. Class 4 gaming is regulated by Government to protect community interests, to ensure transparency, good governance, and best-practice harm minimisation. Online there are no enforceable age restrictions, no harm minimisation protocols, and no money is returned to the community. We strongly believe it is better to have people gambling in safe, controlled and regulated environments.

Providing sustainable funding to our local communities

We have achieved some success this year with forging awareness and understanding of the need for balance in local government gambling venue policies through constructive meetings at executive level, more aligned messaging across the sector and engaging with grant recipients to be our advocates. We understand that it is a balancing act for Councils. Between 2003 and 2017, over 9,000 gaming machines have been removed under public pressure, reducing funding to



Chairman's report continued

community organisations by at least \$60 million in 2017 compared to 2003. However, reducing gaming machine numbers has not reduced problem gambling. While machine numbers have declined, problem gambling numbers remain static, affecting only 0.5% of the adult population.

We will continue to monitor the trends in our industry in the coming year with a view to being ahead of the game and continuing to influence policy at both the central and local government level.

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

I would also like to thank Mike Knell and his staff whose conscientious professionalism has been evidenced in this year's solid financial result in an increasingly challenging, complex and exciting sector.

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. I would also like to thank our Regional Advisory Committees for their outstanding support this year.

Alan Isaac
Chair

Chief Executive's report

I am pleased to report another solid financial result this year which is the result of the ongoing hard work and commitment of our venue operators and NZCT staff. Achieving a good return above the legal minimum of 40% was no mean feat, particularly considering a 53% increase in Government licensing fees and other forces beyond our direct control.

Supporting local communities

I commend our Operations, Grants, Finance, Compliance and Communications teams who are always looking at ways in which we can better serve our customer base and meet the demands of the many communities throughout New Zealand. They rely on us for funding. Many of these organisations would struggle to survive without our funding. We know we make a huge difference to these communities.

Providing safe and fun entertainment

NZCT also continues to support our local venues and their customers, ensuring our venues are safe and fun. Over the past few years we have developed an internal call centre to respond quickly to venue issues, and to significantly reduce down-time. We see this as a point of difference in the market, one which is less costly, more agile and provides us with flexibility that, importantly, brings customer focus to the fore.

Along with our strategy of investing prudently in our assets, our platform is strong and we offer some of the most up-to-date gaming products in the market.

Our approach and commitment to compliance and continual improvement



Mike Knell

in all that we do has again been recognised in our recertification of ISO 9001:2008. We look forward to demonstrating industry best practice, and working collaboratively with the sector and regulator, to showcase our industry as a trusted, transparent and accountable model that provides significant value to our communities.

Distributing over \$40 million to local communities

The details of NZCT's grant funding in 2016/17 can be seen in the following 'Funds at a glance for 2017' tables. The Grants and Accountability teams continue to work hard to improve the experience of applying for and receiving grants, ensuring it is easy, efficient and rewarding for all involved.

Focused on best practice harm minimisation

As always, we have taken our

responsibilities towards the patrons of our venues very seriously and have worked positively and collaboratively with the Department of Internal Affairs (DIA) and wider industry on measures to improve our own and the sector's practice in harm prevention and minimisation. While New Zealand has one of the lowest problem gambling rates in the world (affecting only 0.5% of the adult population) we are committed to assisting problem gamblers and we will continue to invest in this area. During the latter part of the year we have been involved in an innovative facial recognition trial that uses technology to assist both venue operators and those few affected by problem gambling. We look forward to seeing the final results of the trial.

Finally, I acknowledge our hard-working regional managers and their staff who are out in the field daily to ensure our efforts and those of our operators are enhanced and maintained.

The strong sports focus and values-based principles we have adopted make working for NZCT in leadership and operational roles both a pleasure and a passion. We look forward to working even harder to ensure kids get into sport, and that sport and recreation in New Zealand are available to everyone equally for long-term community good and wellbeing.

Mike Knell
Chief Executive

A few words from our grant recipients



Gymsports in Canterbury Charitable Trust

"This is the first time since 2006 that there has been a national gymsport championship in Christchurch and we are proud to be able to deliver this to our clubs."



Rippa Rugby Championship

We've been supporting New Zealand Rugby Union to hold the Rippa Rugby Championships for several years, the national tournament for 10-year-old boys and girls. Poverty Bay were the 2017 winners.

"Well done to all teams as this was a great tournament, with great players and great games!"



Auckland Netball Centre

"Auckland Netball Centre acknowledges the significant contribution that NZCT has provided over the years. Once again thank you for your grant which will allow us to continue to operate our facility as a sporting and recreational centre of excellence."



Taranaki BMX Trust

"We cannot emphasize enough that without NZCT's financial input this community-based facility simply would not have gone ahead at all. I think it's really important to acknowledge that without these funders, community groups, sports clubs, social events etc, would not happen. Thanks so much."



Special Olympics

"The majority of people taking part in Special Olympics are beneficiaries, who are either not able or not offered the opportunity of paid employment. Consequently, the cost of weekly training, uniforms and competing in regional and national competitions is beyond their means.

"The generosity of organisations like NZCT allows the athletes opportunities that would not otherwise be possible."



Life Flight

"All of us here at the Life Flight Base send you our sincere thanks for your tremendous and long-standing support. Your grant funding is extremely important to us and we are grateful to have you as part of our team."



NZCT Chamber Music Contest

"We are especially grateful for the support of NZCT who have provided significant funding towards our annual secondary schools' chamber music contest for the past 13 years."



Age Concern Havelock North

"What may seem insignificant to able-bodied individuals, such as now being able to put shoes and socks on by themselves, is a major achievement to others who have struggled with everyday tasks for years. The attendees have all asked me to pass on their thanks to NZCT for the grant that enabled the program to proceed."

Funds at a glance for 2017

Recipients (%)	Paid in 2016/2017	Paid in 2015/2016
\$1-\$10,000	66.8%	64.8%
\$10,001-\$50,000	24.3%	25.9%
\$50,001-\$100,000	4.3%	4.9%
\$100,001-\$500,000	4.3%	4.3%
\$500,001+	0.3%	0.1%

Recipients (Number)	Paid in 2016/2017	Paid in 2015/2016
\$1- \$10,000	1,226	1,180
\$10,001-\$20,000	243	248
\$20,001-\$30,000	91	104
\$30,001-\$40,000	55	62
\$40,001-\$50,000	58	58
\$50,001-\$75,000	33	47
\$75,001-\$100,000	46	43
\$100,001-\$150,000	26	37
\$150,001-\$200,000	26	18
\$200,001-\$300,000	15	15
\$300,001-\$400,000	9	6
\$400,001-\$500,000	3	2
\$500,001-\$750,000	3	1
\$750,001-\$1,000,000	2	0
\$1,000,001+	0	0
	1,836	1,821

Number of grant applications

PAID Type	2016/17	
	Number	Percentage
Sport	1,686	77.8%
Health & Education	239	11.0%
Community	128	5.9%
Arts & Culture	115	5.3%
	2,168	100%

2015/16	
Number	Percentage
1,633	76.7%
223	10.5%
172	8.1%
100	4.7%
2,128	100%

DECLINED Type	2016/17	
	Number	Percentage
Sport	430	45.7%
Health & Education	214	22.8%
Community	188	20.0%
Arts & Culture	108	11.5%
	940	100%

2015/16	
Number	Percentage
475	44.9%
215	20.3%
255	24.1%
113	10.7%
1,058	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 2017;
- the summary statement of comprehensive revenue and expense for the year then ended;
- the summary statement of change s 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 2017.

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 29 November 2017.

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*.





Report of the Independent Auditors on the Summary Financial Statements

to the Trustees of New Zealand Community Trust

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 taxation consulting services and 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 Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

**Chartered Accountants
29 November 2017**

Wellington





New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2017

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2017 \$000	2016 \$000
REVENUE		
Gaming machine profit	102,431	97,848
Interest received	24	36
Net gain on disposal of property, plant and equipment	573	201
Other revenue	322	15
Operating revenue	103,350	98,100
EXPENDITURE		
Administration expenses	5,652	5,913
Depreciation and amortisation	8,162	7,808
Gaming machine duty	23,559	22,505
Gaming operation expenses	6,778	5,795
Venue payments	16,328	14,464
Operating expenditure	60,479	56,485
SURPLUS FOR THE YEAR	42,871	41,615
DISTRIBUTION TO THE COMMUNITY	42,373	39,803
INCREASE/(DECREASE) IN COMMUNITY EQUITY	498	1,812
OTHER COMPREHENSIVE INCOME		
Gain on property revaluation	666	-
TOTAL COMPREHENSIVE INCOME	1,164	1,812

SUMMARY STATEMENT OF CHANGES IN COMMUNITY EQUITY	2017 \$000	2016 \$000
Equity at the beginning of the year	10,863	9,051
Change in equity	1,164	1,812
Equity at the end of the year	12,027	10,863



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2017

SUMMARY STATEMENT OF FINANCIAL POSITION	2017 \$000	2016 \$000
Community equity	11,361	10,863
Property revaluation reserve	666	-
EQUITY	12,027	10,863
Current assets	2,941	2,721
Non current assets	19,807	19,909
Total assets	22,748	22,630
Current liabilities	10,721	11,767
Non current liabilities	-	-
Total liabilities	10,721	11,767
NET ASSETS	22,748	10,863

SUMMARY CASH FLOW STATEMENT	2017 \$000	2016 \$000
Net Cashflow from operating activities	7,681	10,219
Net Cashflow from investing activities	(6,385)	(12,033)
Net Cashflow from financing activities	(1,500)	1,500
Net (decrease) in cash and cash equivalents	(204)	(314)
Cash and cash equivalents at start of year	797	1,111
CASH AND CASH EQUIVALENTS AT END OF YEAR	593	797



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2017

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 2017 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	2017 \$000	2016 \$000
Bay of Plenty Rugby Union	-	284
Boxing NZ	-	25
Christchurch Football Club	40	49
Christchurch Metropolitan Cricket Assn	50	-
Cricket Wellington Inc	180	200
Holocaust Centre of New Zealand Inc	20	-
Johnsonville Cricket Club Inc	15	32
Lancaster Park Cricket Club	25	20
Marist Hockey Club	10	-
Netball NZ Inc	400	400
No 5 District federation of NZ Football	259	234
NZ Cricket Inc	100	140
NZ Festival of Arts	-	270
NZ Rugby League	100	85
NZ Rugby Union	29	32
Queen Margaret College	-	13
Riccarton Cricket Club	40	28
Rotary Club of Wellington Inc	-	5
Waikanae Golf Club Inc	-	6
Wellington Free Ambulance Board	100	100
Goods or Services Purchased		
Peter Dale – reimbursement of travel expenses incurred on NZCT business	1	1
Fliway Group Limited	54	112

The complete breakdown of this disclosure can be found in Note 19 of the full financial statements.



New Zealand Community Trust

Summary Financial Statements

For the year ended 30 September 2017

6 Capital Commitments at balance date are:

	2017 \$000	2016 \$000
Capital Purchase commitments	2,215	1,580

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:

	2017 \$000	2016 \$000
Multi Year Grant commitments	1,369	3,257

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 2017.

9 The Trustees authorised the publication of these Summary Financial Statements on 29 November 2017.

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

