



NZ Community Trust Annual Report **2015/16**

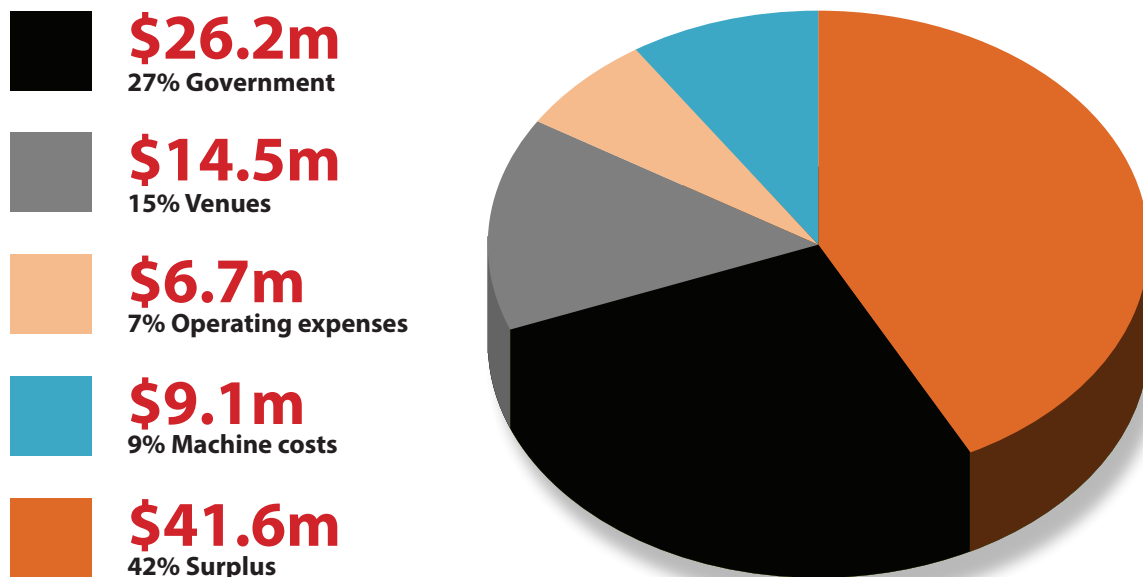
NZCT Annual Report to Trustees 2015/16

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.

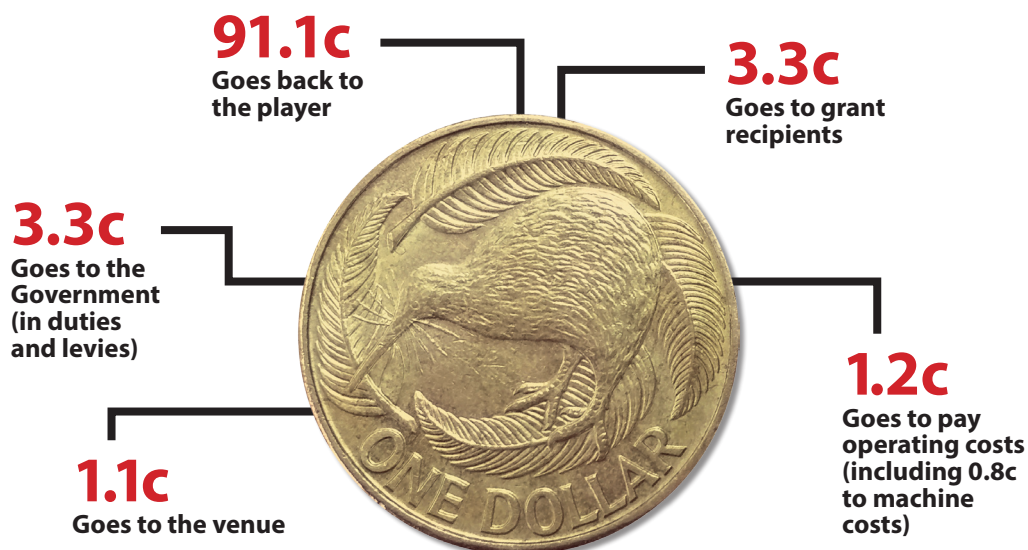
\$41.615 million surplus generated in 2015/16

\$40.935 million distributed to the community in 2015/16

Where the money went



For every dollar a player wagers at an NZCT gaming room, on average:



Chairman's report

NZCT's mission is primarily to fund amateur sports participation. We are proud to be one of the largest supporters of grassroots sport in New Zealand through returning around 80% of our surplus to this purpose. We have achieved a surplus of \$41.6 million, which is 42.4% of our gaming machine profit in this financial year, and were able to distribute \$39.8 million through 2,128 grants to amateur sports clubs, rescue and life-saving services, education, health, the arts, and cultural and community groups across New Zealand.

We know that many of the sports clubs and other community organisations that we support rely heavily on the funding we and other gaming societies distribute. The fact is that they would struggle to function – or in some cases cease operations completely – without it. The Government has acknowledged this fact and embarked on its promised wide-ranging review of the Class 4 gambling sector in July this year. Their focus is on long-term sustainability and a fit-for-purpose sector, along with effective allocation of funding to communities, without driving a growth in gambling.

We were one of almost 800 organisations to make a written submission on the Department of Internal Affairs' (DIA) discussion document on this review. Over 600 of the submitters were community organisations that fear for their future if Class 4 gambling becomes unsustainable due to changes in government policy.

While the discussion document was broad in scope and offered no options to consider, it gave us the opportunity to advocate clearly for a non-centralised, non-politicised system that offers choice and an infrastructure that is appropriate to the needs and nature of community fundraising. We strongly believe that the current gaming society model is best placed to deliver the fast and flexible grants system that community organisations will continue to rely on in the absence of an alternative funding source to resource the grassroots services they provide.



Alan Isaac

Sustainability, then, is critical in ensuring the long-term future of the funding model for community organisations that have few other avenues for seeking funds. Sustainability is also critical in ensuring income and value for our venue operators in an increasingly difficult hospitality sector.

As well as the wider challenges of the hospitality environment, the Class 4 sector has recently switched to a new system of commission-based payments for venues. While this favours those who are high income generators from our gaming machines, those with lower turnover may be disadvantaged to the point where having gaming machines on their premises becomes uneconomic for them. We will continue to support our venues through this major change for them.

In our submission on DIA's discussion document, we also highlighted the risk of online gambling and its impact on both the sustainability of Class 4 gaming and problem gambling. Very little research has been conducted into the prevalence of online, gaming machine-type gambling, but anecdotal evidence and some statistics from overseas suggest that it is likely to be growing in New

Zealand and it is currently completely uncontrolled. We see this as a huge risk for the future of venue-based gaming.

The Government has also indicated this year that it will regulate to require gaming societies to return at least 80% of the net proceeds they generate to the region where the funds were raised, something we already well exceed. The consequence is that communities that do not operate gaming machines will not receive gaming grants and their local sports and community groups will suffer.

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 generating a 42.4% return for the community in a 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 and welcome the establishment of our Gisborne committee chaired by Prue Younger. It is a privilege to have such experience, expertise and knowledge of sport, governance and decision-making working with us.

Alan Isaac
Chair

Chief Executive's report

Thanks to the ongoing hard work and commitment of our venue operators and NZCT staff, I am pleased to report another solid financial result this year, the second in which new regulations have required us to return a minimum of 40% of our generated income back to the community.

This was no mean feat. We have achieved a good return at 42.4%, despite facing a number of operational challenges over the year, many carrying significant cost increases. A 53% increase in Class 4 gambling licence fees was introduced on 1 February 2016. This increase adds approximately \$1 million to NZCT's annual operating costs and has exacerbated the financial pressure imposed by the 40% minimum return. During the year we were also required to upgrade the hardware and software in all our gaming machines to accommodate new bank notes issued by the Reserve Bank, the cost of which societies had to bear. Despite all of this, management continues to look for efficiencies and a reduction in compliance costs without compromising our obligations.

The timing of the Government's Review into the Class 4 Gaming Sector for a sustainable and fit-for-purpose model is right. The pictorial dollar breakdown accompanying this report clearly illustrates where the costs and returns are. The fact that 87% to 92% of each dollar wagered must go out in prizes, along with a minimum return on surpluses to the community of 40%, reinforces why this model is enjoyed and envied for its philanthropic benefits.

For years now, NZCT has been building internal capacity in our call centre and it has paid dividends in our response to ensure our machines are always working. The work and dedication from Sandy Bellwood and Andrew Smith and the team of able technicians and service staff in ensuring any downtime is minimised is commendable.

Our trustees are committed to maintaining our strong reinvestment



Mike Knell

levels in our primary assets, gaming machines. This is evidenced in around \$6 million being reinvested in the past year. The manner in which Ray Cooper and Rob Holden constantly appraise machine performance and mix within our venues is evident in the returns and savings we are receiving.

The new commission-based venue payment regime introduced on 3 October 2016 was the biggest shake-up to the industry in many years and we wait to see what effect it will have on our venues and the funds they generate over the next financial year. The Class 4 working party was instrumental in working collaboratively with the Department of Internal Affairs (DIA), problem gambling service providers and venue operators to ensure a practical and cost-effective framework exists. Key to the model has been the recognition of reward for effort and an increased awareness to ensure host responsibilities are at the fore of these operations. The collaborative approach and relationship were effective and sensible and we encourage more of this in making the Class 4 model more sustainable and fit for purpose for years to come.

Our approach and commitment to

compliance and continual improvement in all that we do has again been recognised in recertification of our ISO 9001:2008 – a great achievement. Rae Mazengarb and her team, along with our new Communications Manager Tanya Piejus, 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 that we serve.

As always, we have taken our responsibilities towards the patrons of our venues very seriously. We trained around 600 venue staff in gambling harm prevention and minimisation this year and have worked with the DIA and wider industry on measures to improve their practice. We look forward to the introduction of greater proven technology in the harm minimisation space with which to achieve even better outcomes.

The dynamics of NZCT's grant funding can be seen in the following 'Funds at a glance for 2016' tables for the year. Ben Hodges joined us this year as National Grants Manager and continues with the grants team to make the experience of applying for and receiving grants more efficient and rewarding for all involved. Of course, none of this can exist without a dedicated and capable finance and grant accountability team, led well by Mark Donaldson.

Last, but definitely not least, I also 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 management roles both a pleasure and a passion. We look forward to working harder to ensure that kids get into sports and that sports and recreation in New Zealand are equally available to everyone for community good and wellbeing.

Mike Knell
Chief Executive

Funds at a glance for 2016

Recipients (%)	Paid in 2015/2016	Paid in 2014/2015
\$1-\$10,000	64.8%	65.5%
\$10,001-\$50,000	25.9%	25.1%
\$50,001-\$100,000	4.9%	5.0%
\$100,001-\$500,000	4.3%	4.3%
\$500,001+	0.1%	0.1%

Recipients (Number)	Paid in 2015/2016	Paid in 2014/2015
\$1-10,000	1,180	1,240
\$10,001-\$20,000	248	261
\$20,001-\$30,000	104	104
\$30,001-\$40,000	62	46
\$40,001-\$50,000	58	63
\$50,001-\$75,000	47	44
\$75,001-\$100,000	43	51
\$100,001-\$150,000	37	34
\$150,001-\$200,000	18	23
\$200,001-\$300,000	15	16
\$300,001-\$400,000	6	9
\$400,001-\$500,000	2	0
\$500,001-750,000	1	1
\$750,001-\$1,000,000	0	0
\$1,000,001+	0	0
	1,821	1,892

Number of grant applications

PAID	2015/16	
	Number	Percentage
Sport & Recreation	1,764	82.9%
Health & Education	136	6.4%
Community	139	6.5%
Arts & Culture	89	4.2%
	2,128	100%

2014/15	
Number	Percentage
1,754	78.9%
221	10.0%
126	5.7%
117	5.3%
2,218	100%

DECLINED	2015/16	
	Number	Percentage
Sport & Recreation	475	44.9%
Health & Education	215	20.3%
Community	255	24.1%
Arts & Culture	113	10.7%
	1,058	100%

2014/15	
Number	Percentage
493	44.2%
236	21.1%
277	24.8%
110	9.9%
1,116	100%

Report of the Independent Auditors on the Summary Financial Statements

to the Trustees of New Zealand Community Trust

The accompanying summary financial statements, on pages 1 to 4 which comprise the summary statement of financial position as at 30 September 2016, the summary statement of comprehensive revenue and expense the summary statement of changes in community equity and the summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of New Zealand Community Trust for the year ended 30 September 2016.

The summary financial statements do not contain all the disclosures required for full financial statements under Public Benefit Entity International Public Sector Accounting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of New Zealand Community Trust.

Our audit of the financial statements for the year ended was completed on 29 November 2016 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit and those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

This report is made solely to the trustees, as a body. Our work has been undertaken so that we might state those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for this report, or for the opinions we have formed. In addition, we take no responsibility for, nor do we report on, any part of the annual report not specifically mentioned in our report.

Directors' Responsibility for the Summary Financial Statements

The Directors are responsible on behalf of the Company for the preparation of the summary financial statements in accordance with PBE FRS-43: *Summary Financial Statements* (PBE FRS 43).

Auditors' Responsibility

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

We are independent of the Trust. Our firm carries out taxation consulting services and limited assurance and agreed upon procedures in respect of the Trust's application for a gambling license under the Gambling Act 2003. The provision of these services have not impaired our independence.



Report of the Independent Auditors on the Summary Financial Statements

New Zealand Community Trust

Opinion

In our opinion, the summary financial statements on pages 1 to 4 derived from the audited financial statements of New Zealand Community Trust for the year ended 30 September 2016 are consistent, in all material respects, with those audited financial statements, in accordance with PBE FRS-43.

Restriction on Use of our Report

This report has been prepared for inclusion in the annual report. We disclaim any responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared.

PricewaterhouseCoopers

Chartered Accountants 29 November 2016

Wellington





New Zealand Community Trust

Summary Financial Statements

For the year ending 30 September 2016

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	2016 \$000	2015 \$000
REVENUE		
Gaming machine profit	97,848	97,527
Interest received	36	164
Net gain on disposal of property, plant and equipment	201	368
Other revenue	15	10
Operating revenue	98,100	98,069
EXPENDITURE		
Administration expenses	5,913	5,883
Depreciation and amortisation	7,808	7,562
Gaming machine duty	22,505	22,431
Gaming operation expenses	5,795	5,372
Venue payments	14,464	14,525
Operating expenditure	56,485	55,773
SURPLUS FOR THE YEAR	41,615	42,296
DISTRIBUTION TO THE COMMUNITY	39,803	41,714
INCREASE/(DECREASE) IN COMMUNITY EQUITY	1,812	582
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	1,812	582
SUMMARY STATEMENT OF CHANGES IN COMMUNITY EQUITY	2016 \$000	2015 \$000
Community equity at the beginning of the year	9,051	8,469
Change in community equity	1,812	582
Community equity at the end of the year	10,863	9,051



New Zealand Community Trust

Summary Financial Statements

For the year ending 30 September 2016

SUMMARY STATEMENT OF FINANCIAL POSITION	2016 \$000	2015 \$000
COMMUNITY EQUITY	10,863	9,051
Current assets	2,721	3,726
Non current assets	19,909	15,471
Total assets	22,630	19,197
Current liabilities	11,767	10,146
Non current liabilities	-	-
Total liabilities	11,767	10,146
NET ASSETS	10,863	9,051

SUMMARY CASH FLOW STATEMENT	2016 \$000	2015 \$000
Net Cashflow from operating activities	10,219	6,785
Net Cashflow from investing activities	(12,033)	(7,813)
Net Cashflow from financing activities	1,500	-
Net (decrease) in cash and cash equivalents	(314)	(1,028)
Cash and cash equivalents at start of year	1,111	2,139
CASH AND CASH EQUIVALENTS AT END OF YEAR	797	1,111

New Zealand Community Trust

Summary Financial Statements

For the year ending 30 September 2016

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 2016 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 in 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:

Grant Distributions	2016 \$000	2015 \$000
NZ Rugby Union	32	90
NZ Rugby League	85	100
Netball NZ Inc	400	375
No 5 District Federation of NZ Football	234	-
Boxing NZ	25	-
NZ Cricket Inc	140	200
Christchurch Football Club	49	10
Bay of Plenty Rugby Union	284	720
Waikanae Golf Club Inc	6	7
Riccarton Cricket Club	28	83
Lancaster Park Cricket Club	20	10
NZ Festival of Arts	270	370
Onslow Historical Society	-	10
Queen Margaret College	13	12
Cricket Wellington Inc	200	200
Rotary Club of Wellington Inc	5	-
Wellington Jazz Music Festival Trust	-	5
Johnsonville Cricket Club Inc	32	-
Wellington Free Ambulance Board	100	400
 Goods or Services Purchased		
Peter Dale – reimbursement of travel expenses incurred on NZCT business	1	1
Fliway Group Limited	112	71

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 ending 30 September 2016

6 Capital Commitments at balance date are:

	2016	\$000	2015	\$000
Capital Purchase commitments		1,580		5,163

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:

	2016	\$000	2015	\$000
Multi Year Grant commitments		3,257		2,365

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 2016.

9 The Trustees authorised the publication of these Summary Financial Statements on 21 November 2016.

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