



WAITAKERE LICENSING TRUST

President's Report

2015-2016

Yet again it is a great pleasure and privilege to report a year of significant progress that has seen the Waitakere Trust's businesses make improvements against every measurement we use, and to do so largely against the general market trend in New Zealand.

I must congratulate CEO Simon Wickham and his team for the sheer excellence of their comprehensive and logical step by logical step approach to preserving the gains we have made in the last few years and then identifying sophisticated and very sound ways of building on them. Along the way difficult choices have been made and still have to be made but those represent the path to the future.

I applaud West Auckland Trust Services Board (WATS - our management company) led by Brian Corban for its wisdom in supporting and mentoring the executive team. The Board demands excellence but it rewards excellence with faith in the team and the courage to back their decisions and initiatives. As a result, we have seen our traditional business grow and with your support, our financial base broadened with our new Investment Strategy.

In response to the challenges that these initiatives have posed, the Elected Members have taken their performance to a new level. We have been called upon to provide the sophisticated governance that allows the Board and staff room to move, and confidence to make decisions that have seized the present and future-proofed our business for some years to come.

I congratulate and thank the Elected Members for doing that. People in our position can easily be too cautious and that can result in a "dead hand" holding the business back. We have not been that and the business has prospered in a market that for many, is basically flat-lining.

This has not just happened. Year upon year progress has grown out of "warts and all" analyses of all facets of our business, and the evolving nature of our market and economic circumstances: the gathering wave of the future that we must be "surfing on" in years to come.

Unlike many of our competitors, we must always balance commercial realities and our favourability with our public who, ultimately, are the owners. Yet again, we have achieved that balance with the majority supporting what we're doing, both overall as a business and with individual facets of the business. The new retail stores have been a great success with

West Liquor Westgate Centre being voted the best retail liquor store in New Zealand. As a result we achieved retail profits of \$8.9m (EBITDA), the highest in our history.

In the last year, our regular surveys told us public satisfaction with our stores increased to 76% and people buying liquor from supermarkets declined. As a result, we seized an additional 10% market share and this, coupled with an increase in customer numbers, says that apart from surveys we can see the tangible proofs via increases in sales, profit, our range of products and growth in different categories of product.

At the Waitakere Trust our sales were up 5.8% to \$63.9 million and gross profit up by 3.4% from \$18.3 million last year to \$18.9 million.

In my view, the single most important feature of these and similar figures is that they have all been achieved through a higher level of performance without compromising our standards in delivering socially responsible liquor management in West Auckland.

The report of the CEO and Chairman to the Annual Report, says that WATS has helped this Trust - and the Portage Trust - to adapt to circumstances that weren't visible when we adopted our first four year growth strategy and that: *"Mindful of these external forces, through the last four years, we adapted as we went and sought other new opportunities across the business to strive for the original goal of \$7.4 million and importantly we exceeded the target providing a base for 'Giving Back' from commercial profits."*

Giving Back. That, in the end, is what The Trusts are here for.

We can all be very proud of the fact that we now generate around \$1 million from trading profits that we give back to the community as sponsorships, household items and grants. Notably, we have just made a second city-wide gift in two years (smoke alarms in 2015 and a tool kit in 2016), purchased with our own trading profits and not gambling profits. This has to date, come mainly from business efficiencies and increased retail trading but the fresh new approach that we brought to retail, is now being invested into hospitality. The results are already excellent and attracting top quality hospitality specialists from all over New Zealand. And we've barely started.

To achieve our objectives in hospitality means turning our venues into modern eateries that are "tailored" to the modern expectations of the suburb and community they serve. In time, these too, will be contributing increased profits for Giving Back.

We are in the business of delivering quality retail and hospitality of a standard that can compete anywhere. We are not in the gaming business. This means we are making decisions that will result in profitable bars and restaurants and we are broadening our base. Collectively, these actions will increase our profitability even further, so that our Giving Back from our own trading and profits can grow progressively larger in the years ahead.

That is not an anti-gaming statement. The profits brought into our community by The Trusts Community Foundation (TTCF), support many worthwhile community activities that enrich our society culturally and socially and they couldn't do such a good job without that funding.

As a group of Elected Members, we are privileged to be able use our local knowledge to make recommendations on the many applications for funding that TTCF receives every month. It is hugely rewarding each year to see millions of dollars flowing to a wide range of activities and organisations that we know are very worthy of support.

This year over \$4 million was put back into the Waitakere community from TTCF, and we made our recommendations with a strong focus on local projects and services spanning the breadth of community need from education, health and social services to sport, arts and

environmental initiatives. It is also heartening to be able to back many large local events, not least of which is the Waitakere Arts and Sculpture Awards.

So, we are now in a space where TTCF does what it does and we do what we do. Our interests overlap at venues that have gaming machines and also in our mutual desire to see gaming carried out responsibly in West Auckland with a very large percentage of local profits returned here.

However, the perceptions of what we are each here for, have changed. Today, our priority is to sell venues that cannot meet our objectives and standards as profitable hospitality venues. That doesn't mean, however, that those gaming machines and profits are lost to West Auckland. TTCF will seek to continue to operate in those venues under their new ownership.

Giving Back is not just about money; it covers a great many issues of social responsibility as well, a number of which I have already mentioned. In closing, I do wish to highlight the very genuine efforts we make through the executive team to be a good employer.

Many of our staff are local people and we like to think that when people take a position with us, they take a career and not a job. A great deal of time has, therefore, been invested in creating career pathways, training and mentoring. It is especially pleasing to see the levels of staff engagement that are developing.

Management has the highest results with 82% highly engaged compared with a benchmark of 54% in "High Performing Organisations". Overall Employee Engagement was 61% compared with just 20% five years ago. We are very proud of that transformation as we do want to see our West Auckland staff feeling valued and thriving in their careers. Though now we have the happy problem of employees being poached to other parts of the city as they are so well trained!

This too, is a good omen for our business. As in every business, our staff are our ambassadors and we are in a "people business". Quite simply the better our people are at their job, the better our business will be.

I wish to close by thanking all my fellow Elected Members for their work and support over the last three years, both on the Waitakere Trust and the Portage Trust. We have been a great team and I wish you all luck in the coming elections.

A handwritten signature in black ink, appearing to read "L. Cooper". The signature is fluid and cursive, with a small dot at the end.

Linda Cooper JP
President
20 July 2016