

HEART
OF THE CITY™
AUCKLAND

YEAR IN REVIEW
OCT 2016 - SEPT 2017





Photography credits:
Dick Frizzell, Downtown Tiki for Heart of the City (2015).
Images throughout by Wayne Boardman, Daniel Davis,
Max Lemesh, Sacha Stejko, Jeremy Toth and supplied.

TABLE OF CONTENTS

1. A MESSAGE FROM OUR CHAIR
2. EXECUTIVE SUMMARY
3. HEART OF THE CITY TEAM
4. EXECUTIVE COMMITTEE
5. A UNIQUE CITY CENTRE
6. AT THE HEART OF IT: OUR MEMBERS
7. RAISING THE VOICE OF BUSINESS
11. PROMOTING THE HEART OF THE CITY
21. THE CITY CENTRE'S VITAL SIGNS



A MESSAGE FROM OUR CHAIR

Auckland's central city makes a significant contribution to both the Auckland region and New Zealand's economy, delivering the fourth largest GDP after the Wellington, Canterbury and Waikato regions. Its unprecedented growth is broadly based, with more and more people working, living and visiting the city and around \$14 billion of public and private sector investment planned over the next decade.

Heart of the City is playing an active role to ensure the voice of business is heard as plans for the city are developed. Our Chief Executive works passionately with our dedicated team to pursue opportunities to promote the city centre and to address issues that impact adversely on the business environment.

The board continues to take prudent steps to manage its governance obligations. The organisation achieved an unqualified audit of our financial accounts and also met legislative requirements relating to health and safety.

This has been my first year as Chair and I'd like to thank both our staff and my fellow Executive Committee members for their outstanding commitment. Andrew Stringer, Shane McMahon and Chris Cherry have stepped down after many years of service and their contribution will be missed. For Executive Committee members continuing in their role and others joining us, we have a stimulating time ahead with two milestone opportunities on the three year horizon – the America's Cup and APEC.



MARTIN SNEDDEN
INDEPENDENT CHAIR



EXECUTIVE SUMMARY

Heart of the City champions a successful city centre economy on behalf of thousands of businesses within our boundary. Growth on all fronts is prolific and whilst this is inspiring and exudes confidence, we are well aware of the challenges it presents.

Our work includes promotion of the CBD offering and events that bring people into the city centre. This year our marketing profiled the face of local businesses through our Lovebites campaign, which showcases the concentrated diversity of the evolving urban experience. Restaurant Month has gone from strength to strength and is now a much-anticipated event on the annual calendar.

Our advocacy has agitated for proactive action to mitigate the impact of construction; asked for a united effort to end homelessness; generated discussion on how to address begging before it becomes the norm on our city streets; and asked for the needs of business to be heard and respected.

Heart of the City is a small organisation with a large brief and relationships are vital to our success. Along with acknowledging our talented team, I'd like to thank our marketing partners and others we work with to achieve our goals. We are excited by the prospects ahead to take maximum advantage of opportunities over the next three years.



VIV BECK
CHIEF EXECUTIVE

HEART OF THE CITY TEAM

VIV BECK
CHIEF EXECUTIVE

KATE CLEAVER
HEAD OF MARKETING

MICAELA DANIEL
GM STRATEGY AND OPERATIONS

CLEMENTINE DICKIE
EXECUTIVE ASSISTANT TO
CEO/OFFICE MANAGER

SONYA GANDRAS
EVENTS AND SPONSORSHIP EXECUTIVE

SARAH HAMILTON-HIBBARD
MEMBERSHIP COORDINATOR

KSENIA KHOR
MARKETING EXECUTIVE

TANIA LOVERIDGE
ADVOCACY AND ENGAGEMENT MANAGER

JULIA RUTHERFORD
DIGITAL SPECIALIST

JANE STEWART
EVENTS AND SPONSORSHIP MANAGER

ERIN TAYLOR
COMMUNICATIONS EXECUTIVE

SARAH TERRY
BRAND MANAGER



EXECUTIVE COMMITTEE



SHALE CHAMBERS
DEPUTY CHAIR,
WAITEMATĀ LOCAL BOARD



CHRIS CHERRY
OWNER, WORKSHOP DENIM
AND HELEN CHERRY



JASON COPUS
CHIEF FINANCIAL OFFICER,
SMITH & CAUGHEY'S



REGAN HALL
DIRECTOR, BTL



SARAH HULL
MARKETING DIRECTOR,
COOPER AND COMPANY



GREG MOYLE
DIRECTOR, FINANCIAL
PLANNING NZ



SHANE MCMAHON
CHIEF OPERATING OFFICER,
NZ BUS



MARTIN SNEDDEN
INDEPENDENT CHAIR



**PADDY
STAFFORD-BUSH**
PROPERTY OWNER,
DILWORTH BUILDING



ANDREW STRINGER
MANAGING DIRECTOR,
AUCKLAND, CBRE



AUCKLAND'S CITY CENTRE IS AN EXTRAORDINARY PLACE WITH UNIQUE CHARACTER AND PHYSICAL ATTRIBUTES.

A UNIQUE CITY CENTRE

The concentration of businesses, people and economic and cultural activity here is unparalleled in New Zealand. Around 15% of Aucklanders work in the city centre, an area that accounts for only 0.08% of the overall Auckland region. This concentrated area is one of the fastest growing parts of Auckland, contributing around 20% of Auckland's GDP and 7.4% of New Zealand's in the last year. Retail spend has grown by nearly 50% since 2010 – now generating \$1.8 billion per year in sales.

The city centre is home to over 11,000 businesses, 114,000 employees and close to 40,000 residents. About 200,000 people visit the city every day including over 50,000 students who either study at one of the two universities or with other education providers within the CBD boundary.

The CBD's density is one of its biggest assets; a 2017 Auckland Council report highlighted the significant economic impact it provides. Our CBD has a unique combination of density and connectivity, which enables a high level of productivity. Our focus is to further leverage this opportunity by promoting and fostering an environment where people can work close to one another, get around easily and connect with each other.



HEART OF THE CITY'S MANDATE IS TO CHAMPION A SUCCESSFUL CENTRAL CITY ECONOMY THAT IS ACCESSIBLE, VIBRANT AND A GREAT PLACE TO DO BUSINESS.

AT THE HEART OF IT: OUR MEMBERS

We represent our members who are property owners, business owners, occupants and tenants of commercially rated property that sits within our defined boundary.

We engage with local and central government, community groups and decision makers to ensure business interests are represented throughout policy and decision-making processes that impact the CBD.

Understanding what matters to our members and working with them to create and leverage opportunities as our city centre continues to grow provides a strong framework for our activity and ensures we remain member centric and outcome focused.

Over the past year we have continued to grow our engagement with members and have sought their views on a number of issues including begging, the impact of construction, and loading and servicing. This guides our priority settings and underpins our ability to provide informed commentary and views on issues that matter to business.

We connect with our membership in a number of ways including through face-to-face visits, regular newsletters and member events. We also continue to invite businesses to participate in a number of events and campaigns designed to drive visitation to the city centre. Over the past year we have also upgraded our corporate website to more closely align the work we do for business with the work we do to promote destination Auckland.

RAISING THE VOICE OF BUSINESS



RAISING THE VOICE OF BUSINESS

One of Heart of the City's priorities is to ensure the views of business are heard clearly by decision makers and influencers in Auckland's future. Decisions made about the city centre impact on the livelihood of our members, their place of business, their employees and the clients and customers they connect with every day. The commercial sector provides opportunities for growth, job creation and social good. Similarly, decision-makers benefit from the valuable insights businesses have in what's needed to drive economic growth and productivity.

This year, Heart of the City has collaborated with other Auckland business associations to identify ways in which the council group can offer more efficient support to the Business Improvement District (BID) programme, and bring greater attention to the value that the BID programme contributes towards local economic development across Auckland.

INFLUENCING THE AGENDA

Over the past year we have advocated for business on a number of council proposals including a Targeted Rate on accommodation providers and a pause in the reduction of the business rates differential.

We are concerned that business seems to be viewed as an easy target to pass on costs and we lobbied council to honour its commitment to keep reducing the rates differential, currently more than double residential rates.

Heart of the City also lobbied with other BIDs to prevent the introduction of an accommodation supplement. It was our view that while there are challenges to infrastructure resulting from tourism growth, a targeted rate on accommodation providers introduced with little notice was not the right mechanism to address it.

Council chose not to adopt our lobbied position on both of these occasions. This was disappointing but we will continue to advocate for business, both in the upcoming long-term plan deliberations and in the annual plan cycle.

MITIGATING THE IMPACT OF CONSTRUCTION

We continue to represent business interests on major transformation projects, including the City Rail Link. This year we conducted a construction survey to establish the type of impact the project's construction was having on business. From this, we have been able to contribute to the Development Response Plan which outlines how relevant agencies will mitigate the impact of construction in the affected areas. The City Rail Link now has two specialist staff managing the interface between development and business and to provide support and activations to the local business community. We will continue to lobby for improvements in how the city manages change.



ENSURING THE CITY CENTRE REMAINS A SAFE AND ENJOYABLE PLACE TO BE IS A KEY PRIORITY FOR HEART OF THE CITY.

A SAFE CITY CENTRE

We work closely with Auckland Council and the police on several initiatives aimed at increasing safety.

With Auckland Council, we co-fund CityWatch, the programme which addresses issues relating to public safety, nuisance and inappropriate behaviour. In response to concerns over the consumption of synthetic cannabis and associated anti-social behaviour we have increased the presence of guards and the police have increased the presence of beat staff during the day. With increased visibility and active management of antisocial issues, there has been a reduction in reported incidents and improvement in behaviour on the street.

Heart of the City also supports StoreWatch, a communication network between 150+ city centre retailers and the police to reduce and prevent retail theft in the city centre. The network gets retailers talking to and looking out for each other by sharing critical information within the retail community. The scheme continues to grow and offers significant benefit for very low cost.

BEGGING

Begging continues to be an area of key focus. In May 2017 we asked members for their views on begging in the city centre. Respondents told us that begging is an increasing issue in the city centre, with 93% of members asking for more to be done to address it. Over the next year, Heart of the City is planning a programme that aims to positively address begging on the street, and reduce the impact on businesses operating in the city, their staff and customers.

HOMELESSNESS

We have been active in calling for an end to homelessness in the city centre and we are delighted that this year has seen a concerted response to support Housing First, an internationally proven solution, with twenty people in the city centre already housed.



THE CITY CENTRE IS IN A PERIOD OF UNPRECEDENTED TRANSFORMATION, WITH SIGNIFICANT INFRASTRUCTURE, PUBLIC SPACE, COMMERCIAL AND RESIDENTIAL PROJECTS PLANNED AND UNDERWAY.

CITY CENTRE TRANSFORMATION

We continue to support the city centre's transformation through our role on the Auckland City Centre Advisory Board, which is responsible for advising council on the allocation of the City Centre Targeted Rate for enhancement projects. We also liaise directly with the agencies delivering public space and transport transformation projects to consider the opportunities and issues these projects may have for business and the wider city centre environment.

This year we played a role in ensuring that once the City Rail Link is completed, Albert Street and Lower Queen Streets will be transformed so their quality befits an international city centre.

Following regular lobbying from Heart of the City and others, Auckland Council has released refreshed City Centre and Waterfront plans that show transport integrated with new public spaces in the city. Our role going forward will be to ensure that business needs are considered as early as possible as individual projects develop.



**PROMOTING THE
HEART OF THE CITY**



OUR DESTINATION MARKETING AND EVENTS HIGHLIGHT THE CONCENTRATED DIVERSITY OF THE CITY CENTRE AND INSPIRE PEOPLE TO VISIT AND SPEND IN THE CITY CENTRE.

PROMOTING THE HEART OF THE CITY

2016 was a seminal year. Our vision and values were reset and a new single brand identity was launched. This has been further developed in 2017.

Our Lovebites – a creative device introduced last year to showcase and celebrate the hidden gems and happenings in the heart of the city – have also moved into a second year. Our winter campaign this year has shared the unique and wonderful stories of the people behind our city centre businesses.





BRAND METRICS

SEPTEMBER 2017

AUCKLANDERS

PERCEPTION OF THE CITY AS
ASPIRATIONAL, CULTURED & VIBRANT

90%

VS 85% IN
SEPT 2016

PERCEPTION OF THE CITY AS HAVING
DIVERSE & EXCITING EXPERIENCES

82%

VS 72% IN
SEPT 2016

MOTIVATED TO VISIT THE CITY AS A
RESULT OF THESE PROMOTIONS

78%

VS 74% IN
SEPT 2016

Ad Impact and Brand Health Survey. 400 Auckland respondents.

A KEY STRENGTH FOR HEART OF THE CITY IS OUR ENGAGED DIGITAL AUDIENCE WHO WE CONNECT WITH ACROSS A NUMBER OF CHANNELS. OUR ENGAGEMENT LEVELS TELL US OUR CONTENT IS RELEVANT, USEFUL AND INSPIRING.

AN ENGAGED DIGITAL FOLLOWING

Response to our digital channels has grown from strength to strength again this year. 76% of Aucklanders told us that our digital content encourages them to come into the city centre, compared to 60% at the same time last year. In addition, 86% said they find our content useful.

WEBSITE

TOTAL SESSIONS
2.3 MILLION

OCT TO SEPT 2017

+7%
VS PREVIOUS
12 MONTHS

UNIQUE VISITOR SESSIONS
1.4 MILLION

OCT TO SEPT 2017

+7%
VS PREVIOUS
12 MONTHS

PAGE VIEWS
4.5 MILLION

OCT TO SEPT 2017

+3%
VS PREVIOUS
12 MONTHS

FACEBOOK



TOTAL PAGE LIKES

SEPTEMBER 2017

160^K

TOTAL ENGAGEMENTS

12 MONTHS TO SEPTEMBER 2017

700^K

PEOPLE TALKING ABOUT US

(LIKES AND SHARES)
12 MONTHS TO SEPTEMBER 2017

200^K

WHERE NEXT[®]



TOTAL DOWNLOADS

60^K

SESSIONS PER DAY

2.6^K

MONTHLY SESSIONS

80^K



ARTWEEK AUCKLAND ALLOWS US TO PROFILE THE CITY CENTRE AS A KEY DESTINATION FOR ARTS AND CULTURE.

ARTWEEK OCTOBER 2016

Heart of the City is a sponsor of Artweek Auckland, enabling a number of arts activations around the city centre. The goal is to build Artweek year on year to continue to showcase the city's arts offering, grow art tourism and enhance community cohesion.

Some of the activations this year included the headline Late Night Art event, Changing Lanes, where artists created installations in CBD laneways and Arting Zones, where parking spaces were replaced with art installations, as well as pop ups in Chancery utilising un-tenanted retail spaces. We also added some new walks to the Walks of Art and Unlocked Collections schedule, and helped deliver Gather & Hunt's streetARTdego in Khartoum Place / Te Ha O Hine.

"Did a great job - fell in love with Auckland city again. Feeling very inspired. Keep up the good work!"

+40% WEB VISITS
VS 2015

+12% SPEND IN THE CITY CENTRE
OVER THE ARTWEEK PERIOD
VS 2015





CHRISTMAS IS THE BIGGEST MONTH ON THE RETAIL CALENDAR, SO WE WORK TO MAXIMISE THE OPPORTUNITY FOR CITY BUSINESSES.

CHRISTMAS 2016

Our Christmas activity positions the city centre as the preferred destination for gift shopping, events and end of year celebrations, with a theming programme including the giant Santa above the Queen Street Farmers store and decorations in key locations as well as a marketing campaign.

The campaign ran for five weeks across several media including digital, Adshels, street posters, radio and social media.

Although this year's campaign outperformed 2015, spending results were on par with the prior year due in part to Christmas falling on a Sunday with Christmas Eve and Boxing Day also impacted. Total spend in the Heart of the City year on year was +0.5% over the five week Christmas period.

+48% WEB VISITS
VS 2015

+1M SPEND IN THE CITY CENTRE
VS 2015





WE CELEBRATE THE CITY'S RETAIL FASHION OFFERING WITH OUR ANNUAL CAMPAIGN TIMED TO ALIGN WITH THE NEW SEASON'S COLLECTIONS ARRIVING IN STORE.

FOUR DAYS OF FASHION 2017

In March and April 2017 we revitalised our fashion event, sponsored by Resene, to be more focused with in-store activations happening over 4 days including:

- The Britomart Fashion Sessions
- A gig by NZ musician Maala at Topshop
- Sessions by Australian Fashion Blogger Carmen Hamilton (of Chronicles of Her fame) at Coach and Moochi
- And a fashion show at Smith & Caughey

Feedback from retailers was overwhelmingly positive, with queues out the door on the Friday night and a fantastic atmosphere.

“A massive thank you to everyone involved in Friday's event at High Street. With an estimate of nearly 400 people through the doors, and over 200 in the first 30mins, it was an impressive sight!”

The campaign performed exceptionally well with over 200k views of the eight fashion Lovebites. This led to delivering excellent awareness, engagement and click throughs.

+21% WEB VISITS
VS 2016

435K PR VALUE





THE SUCCESSFUL LOVEBITES CAMPAIGN RETURNED FOR A SECOND YEAR, WITH A MORE PERSONAL FOCUS.

WINTER LOVEBITES 2017

We were keen to build on the overwhelming success of the Lovebites 2016 campaign and further develop a sense of intrigue and discovery in the city over winter. 'Bite sized' stories from 36 hospitality, retailer and event experiences were showcased, adding a more personal and human dimension to the campaign.

72% OF AUCKLANDERS KNOW MORE ABOUT THE CITY AS RESULT OF THE CAMPAIGN VS 2016

+8.4% HEART OF THE CITY SPEND VS 2016

+7% WEB VISITS VS 2016

1M LOVEBITE VIDEO VIEWS





RESTAURANT MONTH'S OBJECTIVE IS TO GET MORE PEOPLE TO BOOK AND DINE IN THE CITY CENTRE DURING AUGUST.

RESTAURANT MONTH AUGUST 2017

We continue to experience a growing and thriving restaurant scene in the city centre, and 35% of Aucklanders tell us dining is their top reason to visit the city centre.

Held over the quieter winter period, participating restaurants tell us that they love getting involved in the event, and we continue to appreciate the support from American Express, Viva and ATEED.

Last year, it was the unusual, quirky events that sold out first and received the most interest. This insight helped shape the "Eat Odd" theme supported by interesting, less expected food photography. Most of the dining events sold out within the first week of August, and almost all sold out well in advance of the event.

We received great feedback from participating restaurants this year:

**"We got a definite bump of customers!
We are ultimately happy participants of Restaurant Month."**

"Brilliant concept. Now our business is ground floor the success was much greater. Best year yet for us. Can't wait till next August!"

107 PARTICIPATING RESTAURANTS

+72% WEB VISITS VS 2016

+10.6% PARTICIPANTS' SPEND VS 2016

1.8M PR VALUE





THROUGH EVENT SPONSORSHIP AND SUPPORT WE ENCOURAGE EVENTS THAT ARE UNIQUE TO THE CITY CENTRE.

EVENTS SPONSORSHIP 2016 / 17

This year, we continued to support city-based events through sponsorship and in-kind marketing support.

Our focus is to develop and support events and festivals that are unique to the central city and in keeping with a contemporary urban experience.

Events sponsorship allows us to add another element of discovery, interest, and vibrancy to our key marketing pillars. More importantly, businesses have the opportunity to leverage the city visitation and buzz provided by a healthy annual calendar of events.



TIMELINE

8 - 16 OCTOBER 2016	○	ARTWEEK IN THE CITY CENTRE
NOVEMBER 2016	○	THE FARMERS SANTA PARADE
MARCH 2017	○	THE AUCKLAND ARTS FESTIVAL
24 APRIL - 17 MAY 2017	○	THE INTERNATIONAL COMEDY FESTIVAL
10 - 15 MAY 2017	○	THE INTERNATIONAL WRITERS FESTIVAL
20 - 21 MAY 2017	○	WINETOPIA
14 - 31 JULY 2017	○	THE INTERNATIONAL FILM FESTIVAL



THE CITY CENTRE'S VITAL SIGNS





MONITORING AND MEASURING

We keep our finger on the pulse of the city centre through regular monitoring and measuring of key information including consumer perceptions, pedestrian counts and spending. We also employ population data and information about the numbers and types of businesses operating within our area from agencies including Statistics NZ and Auckland Council.



AUCKLAND'S CITY CENTRE

BUSINESS NUMBERS BY INDUSTRY SECTOR IN THE CITY CENTRE³

4,095

COMMERCIALY RATED
PROPERTIES¹

11,856 (+2.2%)

CITY CENTRE BUSINESSES²

39,860 (+14%)

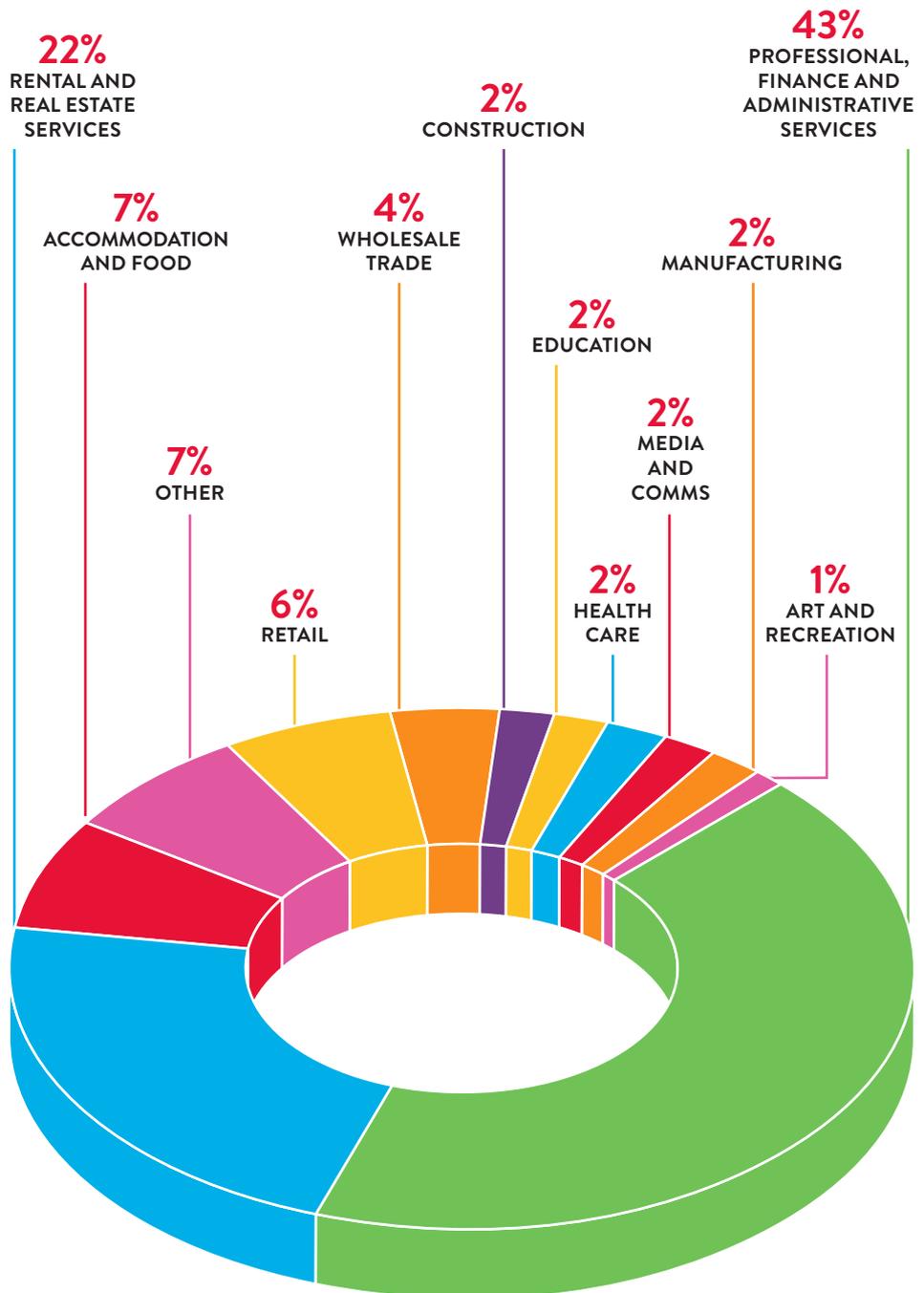
RESIDENTS²

53,000

UNIVERSITY STUDENTS¹

114,264 (+3.8%)

WORKERS²



PERCEPTIONS OF THE CITY CENTRE

NUMBER OF RESPONDENTS WHO AGREE THAT THE CITY:

(WHERE AGREEMENT EQUALS A RATING OF 7 – 10)

47%

IS A PLACE THEY LIKE TO VISIT
ON THE WEEKENDS⁴

53%

FEELS SAFE TO THEM
GENERALLY⁴

60%

IS EASY TO GET TO⁴

DOING BUSINESS IN THE CITY CENTRE

+1.8%

TOTAL HOTC SPEND⁵
1 OCT – 31 SEPT 2017

3.6%

PRIME OFFICE VACANCY⁶
JUNE 2017

+3%

PEDESTRIAN COUNTS⁷
1 OCT 2016 – 31 SEPT 2017

+7.8%

TOTAL HOTC TRANSACTIONS⁵
1 OCT – 31 SEPT 2017

3.3%

CBD RETAIL VACANCY⁶
JUNE 2017

+3.1%

\$14,332M GDP²
AT 2010 PRICES

Sources:

1. Auckland Council. 2. Infometrics - 2016 figure. 3. Statistics New Zealand. 4. City Centre Perceptions Study - December 2016, Buzz Channel. 5. Marketview Ltd 2017. 6. Colliers. 7. Heart of the City. All percentage increases on this spread compare the figure from this reporting period to the one immediately prior.



Annual Report

Heart of the City Incorporated
For the year ended 30 June 2017

Contents

3	Audit Report
5	Directory
6	Approval of Financial Report
7	Statement of Comprehensive Revenue and Expense
8	Statement of Changes in Net Assets/Equity
9	Statement of Financial Position
10	Statement of Cash Flows
11	Notes to the Financial Statements

Independent Auditor's Report

To the members of Heart of the City Incorporated

RSM Hayes Audit

PO Box 9588
Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.com

Opinion

We have audited the special purpose financial statements of Heart of the City Incorporated (the society) which comprise:

- the statement of financial position as at 30 June 2017;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of changes in net assets/equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements

In our opinion, the financial statements on pages 7 to 19 present fairly, in all material respects, the financial position of Heart of the City Incorporated as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the stated special purpose accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of Heart of the City Incorporated in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Heart of the City Incorporated.

Other information

The board are responsible for the other information presented on pages 5 to 6 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

Responsibilities of board for the financial statements

The board are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with the stated special purpose accounting policies, and for such internal control as the board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible, on behalf of the society, for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the members, as a body. Our audit has been undertaken so that we might state to the members those matters 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 Heart of the City Incorporated and the members as a body, for our work, for this report, or for the opinions we have formed.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared solely for the members of Heart of the City Incorporated. As a result, the special purpose financial statements may not be suitable for another purpose.

A stylized, handwritten signature of 'RSM' in blue ink.

Directory

Heart of the City Incorporated For the year ended 30 June 2017

Nature of Business

Promotes Inner City Business

Address

Level 5, 125 Queen St, Auckland City, New Zealand, 1010

IRD Number

63-927-452

Incorporation Number

654431

Incorporation Date

4 January 1995

Status

Registered

Chartered Accountants

Grant Thornton New Zealand Limited
CA, 152 Fanshawe Street
Auckland City
Auckland

Auditors

RSM Hayes Audit
J.J. Broadway
Newmarket
Auckland

Bankers

ASB Bank Limited
138-142 Queen Street
Auckland City

Solicitors

Buddle Findlay
PWC Tower
188 Quay Street
Auckland City

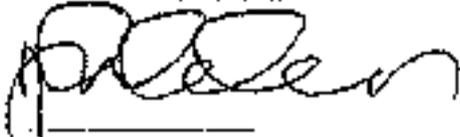
Approval of Financial Report

Heart of the City Incorporated
For the year ended 30 June 2017

The Board is pleased to present the approved financial report including the historical & special purpose financial statements of Heart of the City Incorporated for year ended 30 June 2017.

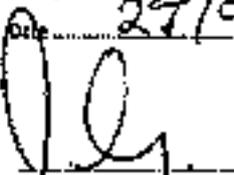
APPROVED

For and on behalf of the Board,



Chairperson

Date 27/9/2017



Board Member

Date 5/9/2017

Statement of Comprehensive Revenue and Expense

Heart of the City Incorporated
For the year ended 30 June 2017

	NOTES	2017	2016
Revenue from Exchange Transactions			
Partnership Income		245,793	303,278
Investment Income		25,716	34,151
Other Income		143	11,501
Total Revenue from Exchange Transactions		271,652	350,930
Revenue from Non-Exchange Transactions			
Auckland Council - Targeted Business Rates Funding		1,289,124	1,269,124
Auckland Council - Destination Marketing Campaign Funding		400,000	400,000
Recovery of Misappropriated Funds		-	326,000
Christmas Contributions		16,667	18,667
Total Revenue from Non-Exchange Transactions		1,705,791	1,913,911
Total Revenue		1,977,443	2,264,841
Expenses			
Accountancy		51,939	39,915
Advocacy/Research		109,472	46,655
Audit Fees		16,835	14,065
Committee Expenses		34,165	33,235
Computer & Phone Maintenance		39,085	32,573
Depreciation, Amortisation & Loss on Disposal	T	171,752	161,418
Events, Sponsorship & Advertising		2,426,942	2,511,572
Forensic Accounting/Legal		-	39,395
Forgiveness of Loan		4,400	4,400
General Expenses		107,376	69,744
Insurance		18,574	21,198
Legal Fees		25,302	34,601
Members Communications		96,713	70,411
Project Costs		145,178	-
Recruitment Expense		59,306	58,968
Rent		122,673	119,261
Personnel Expenses		1,289,601	1,156,769
Security		72,200	76,323
Website Hosting		22,358	22,020
Where Next App Operational Expenses		123,400	128,846
Total Expenses		4,926,833	4,602,417
Total Comprehensive Revenue and Expense		30,610	760,394

The notes to the financial statements form a part of and should be read in conjunction with the financial statements.

Statement of Changes in Net Assets/Equity

Heart of the City Incorporated
For the year ended 30 June 2017

	2017	2016
Accumulated comprehensive revenue and expense		
Opening Balance	1,633,582	873,218
Comprehensive Revenue and Expense for the Year		
Surplus for the Year	90,810	769,304
Total Comprehensive Revenue and Expense for the Year	90,810	769,304
Total Accumulated comprehensive revenue and expense	1,664,392	1,633,582
Total Equity	1,664,392	1,633,582

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Statement of Financial Position

Heart of the City Incorporated

As at 30 June 2017

	NOTES	30 JUN 2017	30 JUN 2016
Assets			
Current Assets			
Cash and Cash Equivalents		2,487,000	2,567,017
Short Term Deposits		521,000	260,902
Receivables from Exchange Transactions	6	10,871	25,816
GST Receivable		65,319	34,572
Ferry Light Suspensory Loan - Current	13	4,400	4,400
Total Current Assets		3,110,337	2,922,707
Non-Current Assets			
Property, Plant and Equipment			
Property, Plant and Equipment	7	157,681	225,546
Capital Work In Progress	7	44,536	13,375
Total Property, Plant and Equipment		202,217	238,921
Investments			
Ferry Light Suspensory Loan - Non-Current	13	22,000	25,400
Total Investments		22,000	25,400
Intangibles			
Intangibles	8	81,118	94,636
Total Intangibles		81,118	94,636
Total Non-Current Assets		305,335	358,957
Total Assets		3,415,672	3,281,664
Liabilities			
Current Liabilities			
Accounts Payable and Accruals		572,528	513,509
Income Received in Advance	12	1,378,750	1,194,578
Total Current Liabilities		1,951,278	1,708,087
Total Liabilities		1,951,278	1,708,087
Net Assets		1,464,392	1,573,577
Net Equity			
Accumulated Comprehensive Revenue and Expense		1,464,392	1,573,577
Total Net Equity		1,464,392	1,573,577

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Statement of Cash Flows

Heart of the City Incorporated
For the year ended 30 June 2017

	2017	2016
Cash Flows from Operating Activities		
Receipts from Council	4,723,088	5,745,212
Receipts from Partners	291,571	270,776
Interest Received	25,726	29,475
Dividends Received	1,035	1,035
Recovery of Misapportioned Funds	-	441,000
GST	464,254	458,646
Payments to Suppliers and Employees	(5,192,762)	(4,795,431)
Total Cash Flows from Operating Activities	512,862	1,306,713
Cash Flows from Investing Activities		
Proceeds from Sale of Property, Plant & Equipment	530	-
Proceeds from/(Payment for) Sale of Investments	(251,965)	55,849
Payment for Property, Plant & Equipment	(135,564)	(108,380)
Total Cash Flows from Investing Activities	(392,020)	(51,531)
Net Cash Flows	(79,157)	1,148,133
Cash Balances		
Cash and cash equivalents at beginning of period	2,567,017	408,816
Cash and cash equivalents at end of period	2,487,860	2,567,017
Net change in cash for period	(79,157)	2,158,183

The notes to the financial statements form part of and should be read in conjunction with the financial statements.

Notes to the Financial Statements

Heart of the City Incorporated For the year ended 30 June 2017

1. Reporting Entity

Heart of the City Incorporated is an incorporated society registered under the Incorporated Societies Act 1908. Heart of the City Incorporated promotes inner city business in Auckland City.

These financial statements have been approved and were authorised for issue by the Board on 20 September 2017.

2. Statement of Compliance

The reporting entity is Heart of the City Incorporated. Heart of the City Incorporated is domiciled in New Zealand and is an incorporated society registered under the Incorporated Societies Act 1908. Heart of the City Incorporated as an incorporated society is not required to report under the Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. However, it has chosen to voluntarily adopt the majority of these standards in the preparation of these special purpose financial statements as it transitions towards full implementation, with the exception of the non-presentation of key management personnel disclosures.

Heart of the City Incorporated is a not-for-profit public benefit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS standards on the basis that it does not have public accountability and it is not defined as large. The Board has elected to report consistent with Tier 2 Not-For-Profit PBE Accounting Standards with the exception of the above item, and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

The board considers that the accounting policies adopted in these special purpose financial statements are appropriate to give the users of the financial statements meaningful information about the performance and position of the organisation for the current year.

3. Effect of First-Time Adoption of the Majority of PBE Standards on Accounting Policies and Disclosures

For the year ended 30 June 2016, Heart of the City Incorporated prepared special purpose financial statements primarily based on the New Zealand Financial Reporting Standards ("NZFRS"). The transition to adopting the majority of Tier 2 Not-For-Profit PBE Accounting Standards has had no effect on the prior or current year figures reported in the Statement of Comprehensive Revenue and Expense or Statement of Financial Position.

PBE IPSAS 23 - Revenue from Non-Exchange Transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under the previous special purpose framework. The application of this standard affected Heart of the City Incorporated's presentation of funding revenue with the splitting of non-exchange revenue from exchange revenue.

4. Summary of Accounting Policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements.

4.1 Basis of Preparation

These financial statements have been prepared on the basis of historical cost, unless specified in the accounting policies below.

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

4.2 Functional and Presentational Currency

The financial statements are presented in New Zealand dollars (\$), which is Heart of the City Incorporated's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

4.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to Heart of the City Incorporated and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must be met before revenue is recognised.

Revenue from Non-Exchange Transactions

Auckland Council Revenue

Revenue from Auckland City Council relates to funding provided to Heart of the City Incorporated for the purpose of promoting the inner city businesses area. Revenue is recognised evenly over the funding period.

Recovery of Misappropriated Funds

Recovery of Misappropriated Funds relates to funds returned to Heart of the City Incorporated in 2016 after they were found to be improperly taken by former Chief Executive Alex Sweeney.

Revenue from Exchange Transactions

Partnership Income

Marketing and Sponsorship funds are received from business partners in exchange for brand affiliation and exposure to various events throughout the year. These funds are recognised as revenue in the period the partnership agreement relates to.

Interest and dividend revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Dividend revenue is recognised when the dividend is declared.

4.4 Financial Instruments

Financial assets and financial liabilities are recognised when Heart of the City Incorporated becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Heart of the City Incorporated derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or Heart of the City Incorporated has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- Heart of the City Incorporated has transferred substantially all the risks and rewards of the asset; or
- Heart of the City Incorporated has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets within the scope of NZP FBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expense. Heart of the City Incorporated's financial assets are classified as loans and receivables and include: cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and investments.

Financial Assets Continued

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. Heart of the City Incorporated's cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

Impairment of Financial Assets

Heart of the City Incorporated assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.

Financial Liabilities

Heart of the City Incorporated's financial liabilities include trade and other creditors (excluding GST and PAYE, employee entitlements, and deferred revenue).

All financial liabilities are initially recognised at fair value and are measured subsequently at amortised cost, using the effective interest method except for financial liabilities at fair value through surplus or deficit.

4.5 Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Short Term Investments

Short term investments comprise term deposits which have a term of greater than three months and less than 12 months and therefore do not fall into the category of cash and cash equivalents.

4.7 Property, Plant, Equipment and Depreciation

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

Property, Plant, Equipment and Depreciation Continued

Depreciation is charged on a diminishing value or straight line basis over the useful life of the assets. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

	Useful Life	Rate	Method
Office Equipment	3 - 12.5 Years	10% - 67%	DV
Computer Equipment	4 - 12.5 Years	16% - 60%	DV
Fittings & Furniture	10 - 20 Years	11.4% - 21.6%	DV
Promotional Assets	4 - 20 Years	10% - 45%	DV/SL

4.8 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a diminishing value basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits or service potential embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets.

The amortisation periods for Heart of the City Incorporated assets are as follows:

	Useful Life	Rate	Method
Websites	4 Years	50%	DV
Trademarks	Indefinite	0%	-

4.9 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

4.10 Employee Benefits

Wages, salaries, and annual leave

Liabilities for wages and salaries, and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits expected to be settled within twelve months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

4.11 Income Tax

Due to its status as an Incorporated Society and under section CW40(1) of the Income Tax Act 2007, Heart of the City Incorporated is exempt from income tax.

4.12 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

4.13 Equity

Equity is the members' interest in Heart of the City Incorporated, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is Heart of the City Incorporated's accumulated surplus or deficit since its formation.

5. Significant Accounting Judgements, Estimates and Assumptions

The preparation of Heart of the City Incorporated's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying Heart of the City Incorporated's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments

Heart of the City Incorporated has entered into a number of lease commitments.

Heart of the City Incorporated has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the assets, that it does not retain all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Heart of the City Incorporated based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of Heart of the City Incorporated. Such changes are reflected in the assumptions when they occur.

- Useful Lives and Residual Values of Property, Plant and Equipment and Intangible Assets

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by Heart of the City Incorporated are listed in Note 4.7 and 4.8.

	2017	2016
6. Receivables from Exchange Transactions		
Trade and Other Receivables	10,871	22,816
Prepayments	-	4,000
Total Receivables from Exchange Transactions	10,871	26,816
	2017	2016

7. Property, Plant & Equipment

Office Furniture & Fixings		
Office Furniture & Fixings	43,026	122,567
Office Furniture & Fixings Accumulated Depreciation	(24,902)	(81,359)
Total Office Furniture & Fixings	29,016	41,228
Office and Computer Equipment		
Office and Computer Equipment	94,487	89,939
Office and Computer Equipment Accumulated Depreciation	(70,075)	(59,296)
Total Office and Computer Equipment	24,012	30,724
Promotional Assets		
Promotional Assets	513,591	545,431
Promotional Assets Accumulated Depreciation	(409,278)	(399,862)
Total Promotional Assets	104,659	158,599
Capital Work in Progress	44,535	13,375
Total Property, Plant & Equipment	392,217	238,823

Property, Plant & Equipment Continued

Reconciliation of the carrying amount at the beginning and end of the period:

	2017	2016
Property, Plant & Equipment Reconciliation (Net Book Value)		
Office Furniture & Fixtures		
Opening Balance	41,223	48,821
Additions	15,636	-
Disposals	(22,377)	-
Depreciation	(5,486)	(7,158)
Total Office Furniture & Fixtures	19,016	41,223
Office and Computer Equipment		
Opening Balance	30,724	20,736
Additions	13,213	19,481
Disposals	(3,761)	-
Depreciation	(18,164)	(9,493)
Total Office and Computer Equipment	24,012	30,724
Promotional Assets		
Opening Balance	153,589	117,682
Additions	18,049	106,870
Disposals	(23,248)	(10,794)
Depreciation	(43,795)	(62,139)
Total Promotional Assets	104,653	153,589
Capital Work in Progress		
Opening Balance	13,375	10,000
Additions	44,336	33,876
Movement to Fixed Assets	(28,375)	(28,501)
Total Capital Work in Progress	44,336	33,375
Total Property, Plant & Equipment Reconciliation (Net Book Value)	792,217	738,920
	2017	2016

B. Intangibles

Trademarks	5,125	5,125
Website	75,993	69,511
Total Intangibles	81,118	74,636

Intangibles Continued

Reconciliation of the carrying amount at the beginning and the end of the period:

	2017	2016
Intangibles Reconciliation (Net Book Value)		
Website		
Opening Balance	89,511	134,012
Additions	35,700	48,548
Disposals	-	-
Amortisation	(48,218)	(85,048)
Total Intangibles Reconciliation (Net Book Value)	76,993	89,511

There were no movements in the year for trademarks.

	2017	2016
9. Operating Leases		
Less than one year	145,495	78,941
Later than one year and no later than five years	484,731	15,578
Later than five years	78,993	-
Total Operating Leases	649,199	95,519

Operating leases relate to the following:

Description of Lease	Lessor	End of Commitment
Buildings		
125 Queen Street	Special Situations Assets Limited	01/04/2023
Plant and Equipment		
Photocopier	Ricoh Photocopier	17/06/2020
Pedestrian Cameras	Canon Finance NZ Limited	01/12/2018

10. Related Parties

The society has conducted transactions with related parties as follows. There are no amounts outstanding at year end (2016: \$nil).

Related Party	Description of the Transaction	Value of the Transactions	Value of the Transactions
		2017	2016
Gary Langford Former Board Member	Landlord (Part Owner)	-	119,281
	- Rent Paid NZ Contemporary Art Trust - Event Sponsorship Paid	40,160	21,000
Sarah Hull Board Member	Britomart Arts Foundation	25,521	13,500
	- Partner Income Received - Event Sponsorship Paid	15,200	15,200
Greg Moyle Board Member	Auckland Children's Christmas Parade Trust	30,000	30,000
	- Event Sponsorship Paid		

11. Categories of Financial Assets and Liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2017	2016
Financial Assets		
Bank & Cash	2,487,860	2,567,017
Term Deposits	523,889	284,902
Trade and Other Receivables	10,871	28,816
Loans	26,400	30,800
Total Financial Assets	3,047,018	2,892,535
	2017	2016
Financial Liabilities		
Trade Payables	572,528	513,508
Total Financial Liabilities	572,528	513,508

12. Income Received in Advance

Within Income Received in Advance as at 30 June 2017 are targeted rate funds received prior to year end from Auckland Council totalling \$1,105,551 (2016: \$1,052,906). As the funds relate to the first quarter of the next financial year these funds have been recognised as a liability and will be recorded as revenue in the next financial year.

13. Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$26,400. This loan is being forgiven in ten equal instalments of \$4,400 upon each anniversary of the initial payment. If the Ferry Building Partnership for any reason is not able to meet the terms of the agreement, the remaining loan balance will be payable to Heart of the City Incorporated.

14. Contingent Liabilities

There are no contingent liabilities at balance date (2016:\$nil).

15. Capital Commitments

There are no capital commitments at balance date (2016:\$nil).

16. Events After the Reporting Date

The Board and management are not aware of any other matters or circumstances since the end of the reporting period not otherwise dealt with in these financial statements, that have significantly or may significantly affect the operations of Heart of the City Incorporated.



HEART OF THE CITY Annual General Meeting

Goodman Fielder Room
Aotea Centre
Auckland CBD
26th October 2017

Minutes

1. **The Chairman Martin Snedden declared the meeting open at 6.03pm**

2. **Apologies**

Apologies were received from Greg Moyle.

That the apologies be received.

Moved: Jason Copus

Seconded: Paddy Stafford-Bush

CARRIED

3. **Confirmation of Minutes from 2016 Annual General Meeting (AGM)**

That the minutes of the AGM held on 25th October 2016 be approved.

Moved: Paddy Stafford-Bush

Seconded: Andrew Stringer

CARRIED

4. **Chair's Report**

The Chair's Report was presented by Martin Snedden.

5. **Treasurer's Report**

Viv Beck spoke to the meeting regarding the Financial Statements for the year ending 30th June 2017.

That the Annual Financial Statements for 2016/17 be approved

Moved: Andrew Stringer

Seconded: Jason Copus

CARRIED

That the overall level of funding from the 2018/19 Heart of the City BID targeted rate be increased by 5% from 2017/2018 rate.

This funding increase will provide for a one-off contribution of \$100,000 to the City Mission's upgrade project, which will provide housing for city centre rough sleepers. This demonstrates Heart of the City's commitment to ensuring homelessness is ended in the city centre.

Moved: Jason Copus
Seconded: Paddy Stafford-Bush
CARRIED

6. Appointment of Auditor

That the Executive Committee is directed to reappoint RSM Hayes Audit to conduct the audit on the 2017/18 accounts.

Moved: Jason Copus
Seconded: Andrew Stringer
CARRIED

7. Retiring Executive Committee Members

As contained in Rule 14.5 of our Constitution, the following Board Members will remain on Heart of the City Executive Committee as their third anniversary date has not yet been reached:

- Martin Snedden
- Jason Copus
- Greg Moyle
- Sarah Hull

At each Annual General Meeting at least 3 of the Executive Committee members shall retire from office, but shall be eligible for re-election at that meeting.

Resignations were received from the following Executive Committee members:

- Chris Cherry
- Andrew Stringer
- Shane McMahon
- Regan Hall
- Paddy Stafford-Bush

8. Election/confirmation of Executive Members

Nominations were received from:

- Regan Hall
- Paddy Stafford-Bush
- Murray Crane
- Celia Hay

That Regan Hall, Paddy Stafford-Bush, Murray Crane and Celia Hay be declared elected to the Executive Committee for a three-year term ending at the 2020 AGM.

Moved: Jason Copus
Seconded: Paddy Stafford-Bush
CARRIED

Outgoing Members – Chris Cherry, Andrew Stringer and Shane McMahon were thanked for their contribution to Heart of the City over many years.

9. Chief Executive's Report

Viv Beck gave an overview of Heart of the City's key areas of focus and achievements over the last year and a summary of the 2017/18 Annual Plan.

10. Martin Snedden opened the floor for general business

There was general discussion regarding:

- Cleanliness of the City Centre
- Accessibility and loading particularly in the vicinity of High Street and the Customs Street West/Viaduct area.
- The importance of residents in the CBD

11. Meeting was declared closed at 7.01pm



HEART OF THE CITY™ AUCKLAND

YEAR IN REVIEW
OCT 2015 - SEPT 2016





TABLE OF CONTENTS

1. A MESSAGE FROM OUR CHAIR
2. EXECUTIVE SUMMARY
3. HEART OF THE CITY TEAM
4. EXECUTIVE COMMITTEE
5. AT THE HEART OF IT: OUR MEMBERS
6. OUR PRECINCTS
7. FOUNDATIONS SET FOR GROWTH
10. RAISING THE VOICE OF BUSINESS
16. PROMOTING THE HEART OF THE CITY
28. CITY CENTRE'S VITAL SIGNS
31. A TOOL FOR BUSINESS
32. CITYWATCH



A MESSAGE FROM OUR CHAIR

Auckland's central city has embarked on a major period of change which will transform the environment for business and the growing number of people living, visiting and working in the city.

Amidst these changes, Heart of the City is playing an active role with an ambitious plan for the future. Our Chief Executive has worked with our team to raise the voice of business amongst agencies delivering major projects and ensure our members are top of mind in our work to retain vibrant perceptions and motivations to visit the city.

There have been a number of external changes this year which impact our operating and legislative landscape. Our team has manoeuvred through these changes professionally, including the implementation of new health and safety legislation.

Standing down from my role, I'm very pleased that the Executive Committee is in great shape, with broad sector experience and passion for Heart of the City. I'd like to thank both the team and my fellow board members for their contribution and wish them well with the interesting challenges ahead. Contributing to the city is rewarding and the potential for Heart of the City to play a valuable role through a time of transformation is exciting.



TERRY GOULD
CHAIR
OWNER, PHILLIMORE PROPERTIES



EXECUTIVE SUMMARY

This is both an inspiring and challenging time for Heart of the City. On the one hand, investment in the city centre is a sign of confidence which will lead to a much improved city in five years' time. On the other hand, construction creates challenges for business, particularly those in close proximity.

This year we have built on our successful destination marketing and events programme, linking it more strongly with our business members so they have new opportunities to be involved. Fashion in the City and Restaurant Month were key highlights and our winter Lovebites campaign has further showcased the city centre's urban appeal.

We have also advocated for business on a range of issues that concern them, including the upgrade of Freyberg Place; the impact of construction associated with the City Rail Link; begging, homelessness and safety in the city centre.

The city centre contributes significantly to Auckland's economic output and our goal is to ensure the cumulative impact of change is positive overall as it reshapes. We will continue to support business and promote the city as vibrant and exciting, working with others to build momentum and excitement as the city transforms.



VIV BECK
CHIEF EXECUTIVE

HEART OF THE CITY TEAM

VIV BECK
CHIEF EXECUTIVE

RAEWYN BRAJKOVICH
EXECUTIVE ASSISTANT
TO CEO/OFFICE MANAGER

KATE CLEAVER
MARKETING MANAGER

EMMA JONES
BRAND MANAGER

BILLIE DREW
DIGITAL SPECIALIST

RIAH VATHER
MARKETING EXECUTIVE

JANE STEWART
EVENTS AND SPONSORSHIP MANAGER

**ERIN TAYLOR /
SONYA GANDRAS**
EVENTS AND SPONSORSHIP EXECUTIVE

**TANIA LOVERIDGE /
FIONA JOHNSTON**
ADVOCACY AND ENGAGEMENT MANAGER

LOUELLA REID
COMMUNICATIONS EXECUTIVE



TERRY GOULD
CHAIR
OWNER, PHILLIMORE PROPERTIES



JASON COPUS
DEPUTY CHAIR AND TREASURER
CHIEF FINANCIAL OFFICER,
SMITH & CAUGHEY'S

EXECUTIVE COMMITTEE



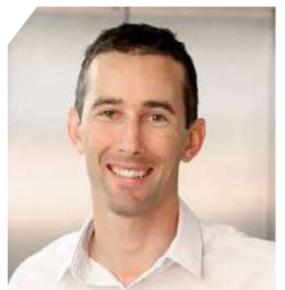
MARTIN SNEDDEN
INDEPENDENT APPOINTMENT
CHAIR (SEPT 2016)
CEO, DUCO EVENTS



SHALE CHAMBERS
CHAIR, WAITEMATA LOCAL
BOARD



CHRIS CHERRY
OWNER, WORKSHOP DENIM
AND HELEN CHERRY



REGAN HALL
DIRECTOR, BTL



SARAH HULL
MARKETING DIRECTOR,
COOPER AND COMPANY



SHANE MCMAHON
CHIEF OPERATING OFFICER,
NZ BUS



**PADDY
STAFFORD-BUSH**
PROPERTY OWNER,
DILWORTH BUILDING



ANDREW STRINGER
NATIONAL DIRECTOR, CBRE



OUR PRECINCTS

HEART OF THE CITY IS THE BUSINESS ASSOCIATION FOR AUCKLAND'S CITY CENTRE, AN AREA OF VITAL ECONOMIC IMPORTANCE TO THE REGION AND ONE THAT IS DEVELOPING AT AN UNPRECEDENTED RATE.

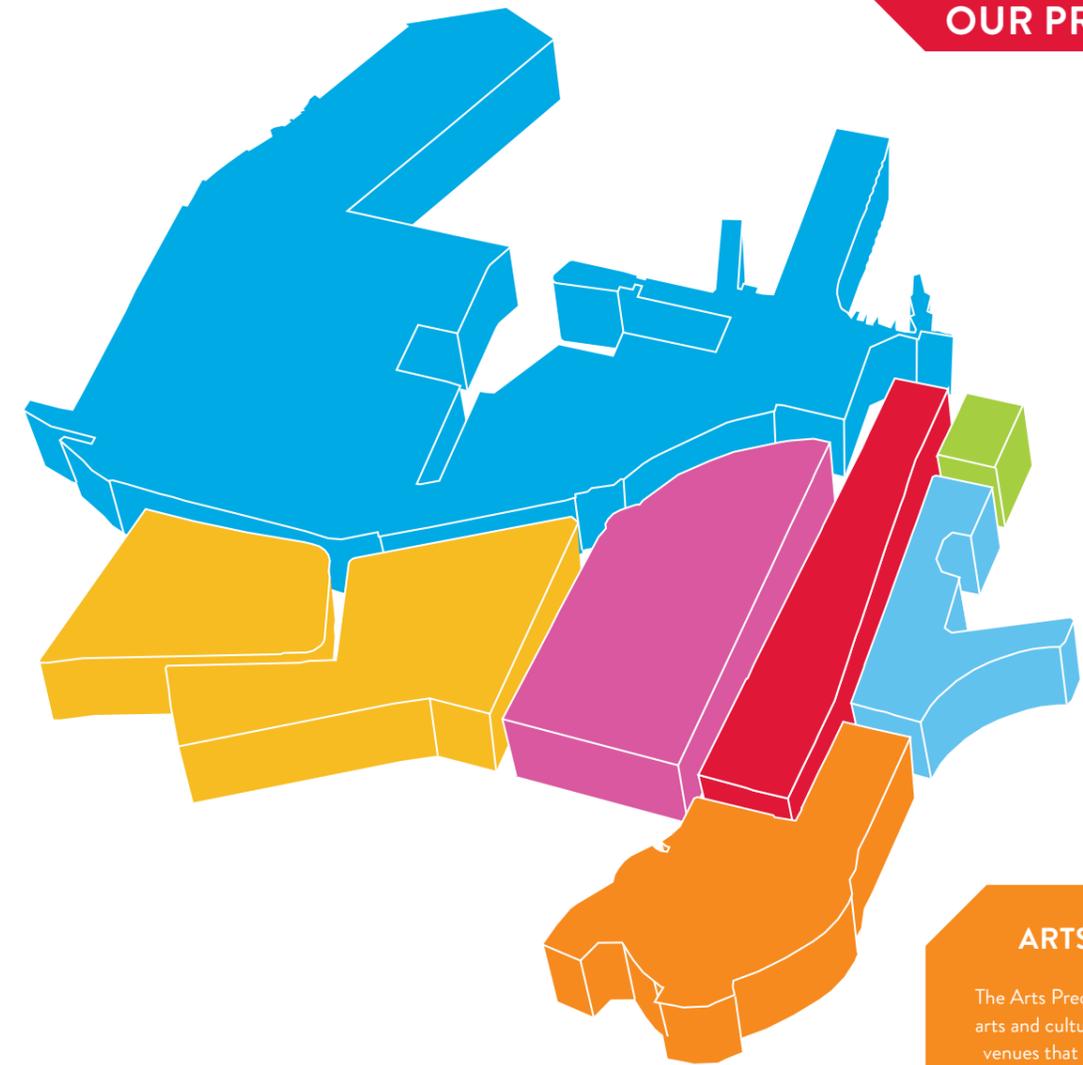
AT THE HEART OF IT: OUR MEMBERS

Our members are property owners, business owners, occupants and tenants of commercially rated property that sit within our defined boundary.

As we look forward to a transformed and revitalised city, it is crucial that we remain attuned to the needs of existing businesses in this time of flux. To this end, we continue laying the foundations to enhance engagement with our members and ensure that we are effectively capturing and sharing their voices.

We conducted a membership survey to gain greater clarity on how members wish to be engaged and to affirm our priorities. We completed a major update of our membership database to ensure that our communications are reaching them. We sought the views of businesses on the City Rail Link construction and the impacts of simultaneous developments, especially around Victoria Street. We also created opportunities for members to learn about transport developments planned for the city and participate in two Mayoral Debates that we co-hosted with the EMA. The aim was to ensure business needs were clearly on the agenda from the start of the campaign.

As the city evolves, so does our approach in reaching out to business. We will continue to develop new ways to engage and involve our members with our work for the city centre.



ARTS PRECINCT

The Arts Precinct is home to the city's arts and culture scene with world-class venues that attract international and local acts, exhibitions, productions, and diverse community events.

BRITOMART

Britomart is a prime example of contemporary design and placemaking echoing throughout the historic elements of the precinct from its bustling transport hub, sharp fashion edge, and glamorous dining and nightlife offering.

FEDERAL & ELLIOTT STREET PRECINCT

This vibrant destination offers ever-changing entertainment, an enticing selection of award-winning restaurants, a world-class casino and a dazzling array of cultural and visual delights.

HIGH STREET DISTRICT

Auckland's original fashion enclave is a gateway to a myriad of laneways that lead to some of the city's best local fashion names, beautiful heritage buildings, and small cafes and bistros that draw large followings.

QUEEN STREET

The golden mile of the city centre combines commerce with high-end international luxury, the iconic Smith & Caughy's department store and much-loved main street chain stores for a diverse shopping experience.

VICTORIA PARK

This heritage precinct features the iconic Victoria Park Market, home to dining and hospitality hotspots, with views across the beautiful green space of Victoria Park.

WATERFRONT

From Wynyard Quarter and Silo Park, to the Viaduct Harbour and Princes Wharf, this area offers stunning views and a mix of experiences from harbourside dining to jetboating, wandering with the family, to open air cinema and Auckland's Fish Markets.

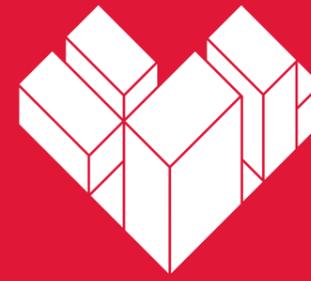
OUR BRAND COMES IN A SPECTRUM OF COLOURS TO REFLECT THE BREADTH OF EXPERIENCES AND AMBIENCE OF THE VARIOUS ENVIRONMENTS IN THE CITY CENTRE.

FOUNDATIONS SET FOR GROWTH

Since Heart of the City was formed, our role as the city centre's business association has had a two-fold nature. On the one hand, we advocate on behalf of businesses on key issues that impact the economic success of the city. On the other, we drive visitation and spending by promoting the city as the vibrant, diverse and exciting destination it is.

Recognised internally as the 'member-facing' and 'consumer-facing' functions, and well aware of their inextricable link, we have started to bring these strands closer together this year to create better leverage opportunities for members and the city centre.

To reflect this holistic approach, we launched a new brand identity to replace the two legacy logos that had been used separately. Our revitalised brand unifies our two components with a single look and feel and provides a future facing identity. It encapsulates the evolution of Heart of the City and positions us to support the changing city in a co-ordinated and inspiring way.



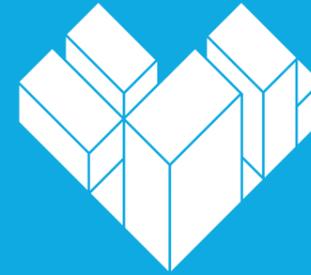
**HEART
OF THE CITY™
AUCKLAND**



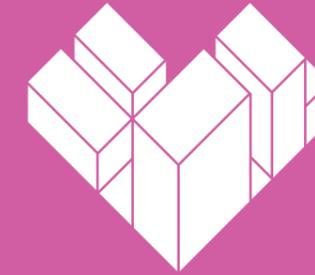
**HEART
OF THE CITY™
AUCKLAND**



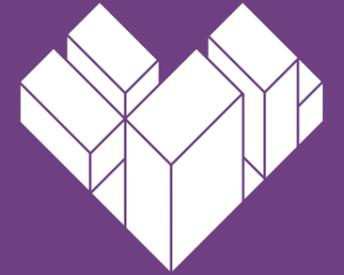
**HEART
OF THE CITY™
AUCKLAND**



**HEART
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AUCKLAND**



**HEART
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AUCKLAND**



**HEART
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AUCKLAND**



**HEART
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AUCKLAND**



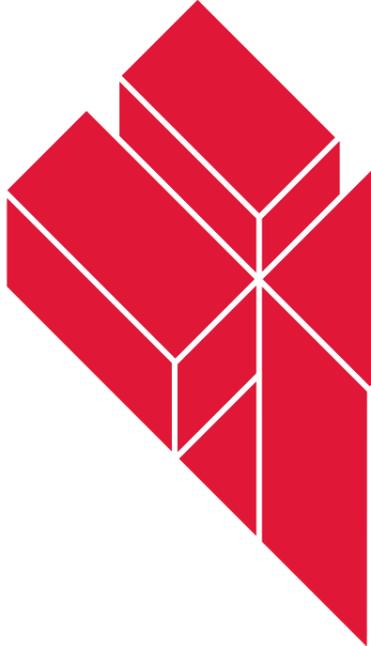
**HEART
OF THE CITY™
AUCKLAND**



**HEART
OF THE CITY™
AUCKLAND**



RAISING THE VOICE OF BUSINESS



HEART OF THE CITY REPRESENTS BUSINESS INTERESTS IN AUCKLAND'S CITY CENTRE AND PLAYS AN ACTIVE ROLE IN THE DEVELOPMENT OF THE CITY CENTRE AS A VIBRANT AND ACCESSIBLE PLACE TO DO BUSINESS.

ADVOCACY & ENGAGEMENT

We are also a member of the Auckland City Centre Advisory Board, which advises Council on the allocation of City Centre Targeted Rate funding to projects designed to improve our public spaces.

Late last year we asked businesses what they are most concerned about for attention in the city centre. The key issues included: access in, out and around the CBD; mitigation of the impact of construction; begging and anti-social behaviour on city streets; safety; and city centre operations such as rubbish and cleaning. This report includes an update on our work in these areas.



FREYBERG PLACE

The business community is fundamental to the success of the High Street District and we lobbied to achieve results on key areas of concern with Council's proposed designs for refurbishing the square. These included the retention of shared access for vehicles, particularly in the absence of a wider plan for the district to ensure decisions are not made in isolation; and mitigating the impact of construction. After several public meetings and follow up with Council, results were achieved on both counts on behalf of businesses in the district. Construction is now underway on both the square and refurbishment of the Ellen Melville Centre, and is due for completion in May 2017.

CITY RAIL LINK

The City Rail Link will reap significant benefits for the city centre over time. However, we were concerned about the impact of early stage works, particularly on businesses in close proximity to construction. We raised issues with Auckland Transport and action was taken, for example improved hoardings and lighting in Victoria Street. We have sought to be involved earlier in these discussions so proactive mitigation can be agreed and the impact of construction reduced as this project progresses.

Targeted rate funding has been set aside to contribute to public realm works associated with both Albert Street (\$20m) and Lower Queen Street (\$10m).



HOMELESSNESS

We actively sought solutions to end homelessness on city streets and are pleased that social service providers have come together to support a sustainable solution that has been successful internationally – Housing First.

Action is also underway to improve emergency accommodation, with \$2m of city centre targeted rate funding committed to enhance emergency housing at James Liston Hostel. The aim is to transition about 240 people into permanent housing over the next two years through the hostel's Housing First model. We are delighted to see a sustainable solution in place and a collaborative approach to end homelessness in the foreseeable future.



ADVOCACY & ENGAGEMENT

BEGGING

We presented to Council's Regulatory and By-Laws Committee, urging Councillors to support an expeditious review of the by-law and for Council to take a more holistic approach to resolve and not just manage this complex issue.

We need solutions for people in genuine need as well as businesses affected by these issues in order to address negative perceptions and ensure locals and visitors can enjoy our city streets. This remains a priority for action.



UNITARY PLAN

Heart of the City has been an active participant in the debate since the draft Unitary Plan was released in 2012.

We appreciate that Auckland needs a platform for growth but we raised residual concerns about the importance of design quality and heritage protection in the city centre; as well as protecting against further reclamation in the harbour.

COUNCIL'S ANNUAL PLAN

We joined with the EMA and Property Council to oppose a proposal to change the Interim Transport Levy which we believed would unfairly shift cost to business one year into a three-year programme, in some cases by tens of thousands of dollars.

The result of the Annual Plan deliberations was that Council retained the status quo for the remaining two years.



SUBMISSIONS MADE

Auckland Council Annual Plan – Interim Transport Levy

Electricity Authority – Consultation Paper on Transmission Pricing Methodology

City Rail Link – Aotea Station Construction and Link to North Auckland Line

Renaming lower Khartoum Place

VOICED SUPPORT FOR

St James Theatre restoration

A stadium close to the city centre

Developing Aotea Arts Precinct

Stronger police presence on city streets

Parking changes designed to increase the availability of on-street parking during the day

MEDIA

We continued to be active in the media this year across a wide variety of topics, from growth in the city centre, to mitigating the impact of construction; begging and anti-social behaviour; safety; transport and parking.



SKYPATH

Heart of the City has supported the SkyPath project through the Resource Consent process and this year we reconfirmed our support for its construction and operation. It will open up cycling and walking access between the North Shore and Auckland's city centre, bringing with it increased access to central city business. It will also create an iconic destination, which we believe will bring economic benefit to the region and provide a reason for visitors to stay longer in Auckland.



PROMOTING THE HEART OF THE CITY



WE HAVE CONTINUED TO CHAMPION THE CONCENTRATED DIVERSITY OF THE CITY CENTRE ACROSS DINING, SHOPPING, EVENTS, ARTS AND CULTURE, BARS AND NIGHTLIFE AND ATTRACTIONS.

DESTINATION MARKETING AND EVENTS

We've built on the momentum of our strategy and evolved our campaigns to resonate with our audience and inspire people to visit and spend in the city centre. This year, we developed and launched the new Lovebites of the city platform, which has proven very successful and received a fantastic response since its roll out over winter.

Partnerships were strengthened with key agencies, sponsors and businesses to amplify our impact in market and create compelling content that lifts awareness, perceptions and motivations for the city. While the key brand metrics (right) remained stable year on year, we saw tangible benefits through increased visitation (pedestrian counts were up +10%) and spending in the heart of the city (up +14% amongst featured businesses).



BRAND METRICS

POST WINTER CAMPAIGN 2016

UNPROMPTED RECALL OF HEART OF THE CITY PROMOTIONS
VS 31% IN SEPT 2015

32%
SEPT 2016

PROMPTED AWARENESS OF HEART OF THE CITY
VS 77% IN SEPT 2015

76%
SEPT 2016

PERCEPTION OF THE CITY AS 'ASPIRATIONAL, CULTURED & VIBRANT'
VS 85% IN SEPT 2015

85%
SEPT 2016

MOTIVATION TO VISIT THE CITY AS A RESULT OF THESE PROMOTIONS
VS 75% IN SEPT 2015

74%
SEPT 2016



AN ENGAGED DIGITAL FOLLOWING

Response to Heart of the City's digital channels has grown from strength to strength again this year. Our website has had 2.2m user sessions in the last 12 months, of which 1.3m were unique visitors.

One of our key strengths has been our engaged digital audience across a number of channels. Strong engagement is a key indicator of relevant and inspiring content and a compelling city offering.

WEBSITE



TOTAL VISITS

2.2m
OCT 2015 - SEPT 2016
VS 1.6m OCT 2014 - SEPT 2015

+32%

UNIQUE VISITOR SESSIONS

1.3m
OCT 2015 - SEPT 2016
VS 1m OCT 2014 - SEPT 2015

+29%

PAGE VIEWS

4.4m
OCT 2015 - SEPT 2016
VS 3.7m OCT 2014 - SEPT 2015

+19%

Google Analytics

FACEBOOK



Although Facebook continues to make changes to their algorithm, making it more challenging for branded content to be seen and instead prioritising content from family and friends - we have a loyal, sizable audience, who continue to engage and respond to our content and campaigns.

TOTAL FANS **145k**
SEPT 2016

TOTAL ANNUAL ENGAGEMENT* **772k**
OCT 2015 - SEPT 2016

PEOPLE TALKING ABOUT US* **262k**
(COMMENTS, LIKES, SHARES)
OCT 2015 - SEPT 2016

*Fuse Reporting

WHERE NEXT®



Downloads and usage of our WHERE NEXT® app exceeded expectations. This clever city guide encourages people to stay longer, do more and springboards ideas for their next visit. The next enhancement is to roll out our alerts feature to further increase regular use and performance.

TOTAL DOWNLOADS **51k**

SESSIONS PER DAY **2.7k**

MONTHLY SESSIONS **78k**

THE ARTWEEK AUCKLAND EVENT ALLOWS US TO PROFILE THE CITY AS A KEY DESTINATION FOR ARTS AND CULTURE.

ARTWEEK 2015

We sponsor this popular Auckland art event in addition to delivering our own activations for the city centre to increase the offering. It also strengthens the perception of the city as a cosmopolitan destination and adds to its liveability appeal.

Anecdotal feedback and attendance at the event indicates that excitement and demand for such events is on the rise. The goal is to build a bigger and better Artweek year on year to position the city's arts offering, grow art tourism and enhance community cohesion.

60k
WEBSITE VISITS TO
ARTWEEK PAGES
41% OF TOTAL WEB TRAFFIC



UNLOCKED COLLECTIONS

A free guided tour through some of the city's finest corporate and institutional collections. Places were booked out within a few days of promotion.



WALKS OF ART

Free walking tours showcasing outdoor arts and urban spaces including three HeARTs of the City murals we had commissioned.



LATE NIGHT ART

The festival centrepiece was a one-night event that simultaneously activated sites from the Waterfront to Britomart and up to Aotea Square.



CHRISTMAS IS THE SINGLE BIGGEST OPPORTUNITY DURING THE YEAR TO INCREASE CONSUMER SPENDING.

CHRISTMAS 2015

Our objective is to drive gift shopping, visiting for Christmas events and attractions and dining for celebrations. The campaign ran for five weeks across street posters, online and radio.

The campaign performed well, with total spend in the heart of the city increasing by 13.3% over the five-week Christmas period. Christmas Eve and Boxing Day also fared exceptionally well, up 13.5% and 18.4% respectively on the prior year.

+13%
SPEND IN CITY CENTRE
OR \$27M[†]

+4%
SPEND IN
COMPETITOR AREAS[†]

+78%
WEB VISITS
DURING
CAMPAIGN PERIOD

RESULTS COMPARED TO SAME PERIOD LAST YEAR



[†] Metrics results from Marketview Consumer Spend Report

WE SPONSORED BRITOMART FASHION SESSIONS, PROMOTED 100+ RETAIL OFFERS AND SUPPORTED THE DELIVERY OF MORE THAN 20 FASHION EVENTS ACROSS 10 DAYS.

FASHION IN THE CITY 2016

Fashion in the City made a comeback with appropriate style and excitement in February-March 2016. We harnessed the scope of media partnerships and the diversity of fashion retailers in the city to create our biggest fashion activation in Auckland.

We also raised New Zealand's longest catwalk on Queen Street for the second time. The 125m long catwalk closed off Auckland's major commercial thoroughfare to traffic and drew an estimated 4,000 people. The runway showcased 40 models and over 70 of the season's hottest runway looks.

The event delivered an estimated \$709,000 in PR media value mainly from TV One's Breakfast, Stuff live streaming and FQ.co.nz, in addition to the editorial coverage by media partner Viva.

Spending at participating retailers from Auckland cardholders increased by 28% compared to 2015 (when we had no media investment and saw a decrease in spending from Aucklanders of 14%).

+28% PARTICIPANTS' SPEND ACROSS THE 10-DAY EVENT†	+5% TOTAL HEART OF THE CITY SPEND†	+4% SPEND IN COMPETITOR AREAS†	+20% PEDESTRIAN COUNTS ON QUEEN STREET	+58% WEB VISITS - 48% OF TOTAL WEB TRAFFIC TO FASHION PAGES
---	--	--	--	---

RESULTS COMPARED TO SAME PERIOD LAST YEAR



† Metrics results from Marketview Consumer Spend Report

THESE COVETABLE VIRGIN MARY SALT SPOONS ARE CUSTOM MADE BY A NEW ZEALAND DESIGNER ESPECIALLY FOR BADUZZI. WANT ONE FOR YOUR TABLE AT HOME? YOU CAN BUY THEM AT THE BAR TO TAKE AWAY.

WINTER CAMPAIGN: LOVEBITES 2016

The Lovebites campaign was developed to create a sense of intrigue and discovery about the city. We approached restaurants, retailers, institutions, venues and collected 'bite-sized' quirks about their business that were otherwise hidden.

50 Lovebites formed the spine of the campaign, from which a heavily integrated marketing approach was built. The editorial partnership with NZME was a critical component in extending the campaign's reach. The campaign's appeal was enhanced with 15-20 second videos of each Lovebite, which were released via social media, digital and cinema, with print developed for outdoor and press. We also ran some targeted activity to reach CBD workers and residents via Link buses (42 buses) and Tower TV which screens in the atriums of inner city tower blocks.

This campaign endeared Aucklanders to their city and enticed them into unravelling its mysteries, supporting businesses during the conventionally slow winter season.

+14% PARTICIPANTS' SPEND DURING WINTER†	+4% VS SPEND IN COMPETITOR AREAS†	+10% PEDESTRIAN COUNTS	+25% WEB VISITS DURING WINTER	685K LOVEBITES VIDEO VIEWS
---	---	----------------------------------	---	--------------------------------------

RESULTS COMPARED TO SAME PERIOD LAST YEAR



† Metrics results from Marketview Consumer Spend Report

DINING REMAINS THE TOP REASON FOR AUCKLANDERS TO VISIT THE CITY CENTRE.

RESTAURANT MONTH 2016: EAT ODD

Restaurant Month leverages this traditionally strong sector during the quieter winter period and we continued to leverage the successive support from ATEED, Viva and American Express.

Awareness of Restaurant Month is now solid with 72%* of Aucklanders having heard of the event. The campaign objective was therefore to get more people to book and dine during August. Last year, it was the unusual, quirky events that sold out first and received PR pick up. This insight helped shape the “Eat Odd” theme supported by interesting, less expected food photography. Many of the events sold out, with just a couple having tickets available right up until the night.

PARTICIPATING RESTAURANTS

101

WEB VISITS

+21%

PR MEDIA VALUE

\$1.5M

PARTICIPANTS SPEND†

+6%

DURING THE EVENT (1-31 AUG)

+11%

DURING THE CAMPAIGN (1 JULY-31 AUG)

TOTAL HOTC SPEND†

+8%

DURING THE EVENT (1-31 AUG)

+11%

DURING THE CAMPAIGN (1 JULY-31 AUG)

VS SPEND IN COMPETITOR AREAS†

+3.6%

DURING THE EVENT (1-31 AUG)

RESULTS COMPARED TO SAME PERIOD LAST YEAR



*Sept 2016 Nielsen, Aucklanders (Base 1,267)

† Metrics results from Marketview Consumer Spend Report

THE CENTRAL CITY IS A VIBRANT VISITOR DESTINATION WITH A FULL LINE UP OF FESTIVALS, PERFORMANCE, EVENTS AND ATTRACTIONS.

EVENT SPONSORSHIP

We continued to support city-based events through sponsorship and assistance. We focused on developing and supporting events that were unique to the central city and reflected the urban, edgy, innovative and sophisticated style that pervades the inner city. Events sponsorship allowed us to add another element of discovery, interest, and vibrancy to our key marketing pillars. More importantly, these enabled businesses to leverage off a healthy calendar of events throughout the year.

TIMELINE

NOVEMBER 2015



SANTA PARADE –The parade signals the start of the festive season & attracts over 250,000 people to the city centre every year.

MARCH 2016



THE AUCKLAND ARTS FESTIVAL

24 APRIL - 17 MAY 2016



THE INTERNATIONAL COMEDY FESTIVAL

10-15 MAY 2016



THE INTERNATIONAL WRITERS FESTIVAL

20-21 MAY 2016



WINETOPIA

14-31 JULY 2016



THE INTERNATIONAL FILM FESTIVAL





CITY CENTRE'S VITAL SIGNS

“THE CITY CENTRE IS THE HUB OF AUCKLAND’S ECONOMY WITH 1 IN 16 EMPLOYEES WORKING HERE AND UP TO 16,000 EMPLOYEES PER SQUARE KM.”
 – AUCKLAND TRANSPORT WEBSITE

AUCKLAND’S CITY CENTRE

11,116 CITY CENTRE BUSINESSES

2014 Statistics New Zealand Business Demographics

4,111 COMMERCIALY RATED PROPERTIES

Auckland Council

91,854 WORKERS

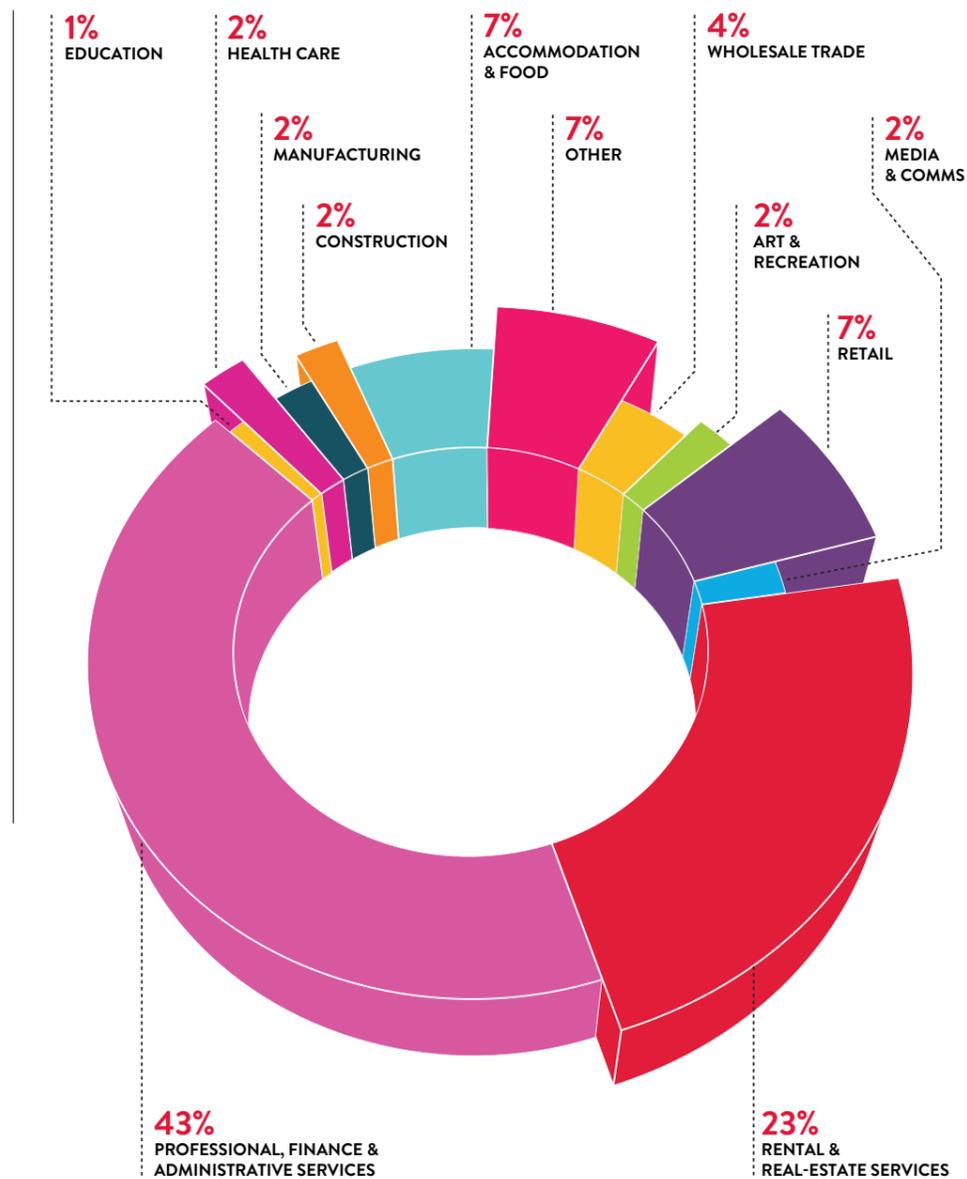
2014 Statistics New Zealand Business Demographics

26,307 RESIDENTS

2013 Census

60,000 STUDENTS

2012 Statistics New Zealand



2014 Statistics New Zealand Business Demographics

PERCEPTIONS OF THE CITY CENTRE

(Where agreement equals a rating of 6 – 10)

66% agreed that Auckland’s city centre is exciting and vibrant

58% agreed it is a place they like to visit on the weekends

62% agreed that the city centre feels safe to them generally

64% agreed that the city centre is a place they are proud of

68% agreed that the city centre is the place they like to go for dining and eating out

70% agreed that the city centre is easy to get to

City Centre Perceptions Study – June 2016 Buzz Channel

DOING BUSINESS IN THE CITY CENTRE

TOTAL HEART OF THE CITY SPEND

+10%

OCT 2015-SEPT 2016

2016 Marketview Ltd

PRIME OFFICE VACANCY

1.9%

(20-YEAR AVERAGE AT 7.5%)

June 2016 Colliers International

PEDESTRIAN COUNTS

+12%

OCT 2015 - SEPT 2016

TOTAL HEART OF THE CITY TRANSACTIONS

+12%

OCT 2015-SEPT 2016

2016 Marketview Ltd

CBD RETAIL VACANCY

2.7%

(20-YEAR AVERAGE AT 4.6%)

June 2016 Colliers International

PEDESTRIAN ACTIVITY IS ONE OF THE INDICATORS OF A CITY'S APPEAL AND ACCESSIBILITY.



A TOOL FOR BUSINESS

We provide 19 pedestrian counters at key locations to measure the city centre's visitation performance. The system operates 24/7, is a privacy-protecting people counter and the data is readily available from our interactive website. It allows businesses and agencies to compare current and long-term trends in the city centre.

We use pedestrian counts to evaluate the success of our campaigns. The results are reviewed alongside other research insights, including spending information from Marketview to provide an overview of the 'health and vitality' of the city and its businesses.

Pedestrian footfall is also used to assess the impact of land and infrastructure development to business operations. We will continue to provide and use the system to shape our marketing and advocacy activities.

CITYWATCH IS A SECURITY PROGRAMME WE CO-FUND TO ENSURE THE ENFORCEMENT OF AUCKLAND'S PUBLIC NUISANCE AND SAFETY BYLAW IN THE CITY CENTRE.

CITYWATCH

Our support boosts the operational hours of the programme from 192 hours to 314 hours weekly in the summer.

The timing of additional enforcement strategically interplays with the influx of visitors from the cruise ship season, school holidays, and the myriad of events that occur simultaneously throughout the city. A stronger CityWatch presence means more call-outs are attended to during more hours of the day.

We will continue to invest in the city's safety to further improve the overall experience of visitors, workers, residents and the perception of the city centre.





Contents

	Page
Business Directory	2
Auditors Report	3
Statement of Financial Performance	5
Statement of Movements in Equity	7
Statement of Financial Position	8
Notes to the Financial Statements	9

Business directory

Chair:	Terry Gould
Deputy Chair:	Jason Copus
Treasurer:	Justin Copus
Board Members:	Chris Chey Pauldy Sutherland-Dush Sienna McMillan Sarah Hull Regan Hill Andrew Stringer (from 29 October 2015) Gary Langford (to 29 October 2015)
Associate Members Appointed to the Board in a Non-Voting Capacity:	Denise L'Esperance-Cotter (to 29 October 2015) Andrew Stringer (to 29 October 2015)
Local Quasi-Representatives:	State Chambers
Nature of Business:	Provotes Inner City Business
Registered Office:	Level 2, 26 Lorne Street Auckland
Bankers:	ASIS Bank Limited 136-142 Queen Street Auckland
Solicitors:	Russell McVough Level 10, Vero Centre 48 Shortland Street Auckland Buddle Pindley PWC Tower 100 Quay Street Auckland
Auditors:	RSM Hayes Audit Level 1, Broadway Newmarket Auckland
Accountants:	Grant Thornton New Zealand Limited Level 4, Grant Thornton House 152 Manukau Street Auckland

Independent Auditor's Report

To the Members of Heart of the City Incorporated

We have audited the special purpose financial statements of Heart of the City Incorporated on pages 5 to 13 which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by the board in accordance with accounting policies outlined in the statement of accounting policies.

This report is made solely to the members as a body, in accordance with the Rules of Heart of the City Incorporated. Our audit has been undertaken so that we might state to the members those matters 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 board and the members as a body, for our work, for this report, or for the opinions we have formed.

Boards' Responsibility for the Financial Statements

The board is responsible for the preparation of these special purpose financial statements in accordance with the stated accounting policies and for such internal control as the board determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error. The board is responsible for determining that the stated accounting policies are appropriate in the circumstances for which these special purpose financial statements are prepared.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Heart of the City Incorporated.

Opinion

In our opinion, the special purpose financial statements of Heart of the City Incorporated for the year ended 30 June 2016 on pages 5 to 13 have been prepared, in all material respects, in accordance with the stated accounting policies.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements are prepared solely for the members of Heart of the City Incorporated. As a result, the special purpose financial statements may not be suitable for another purpose.



14 October 2016

Statement of financial performance for the year ended 30 June 2016

	Note	This Year	Last Year
Income			
Auckland City Contributions		4,294,383	4,322,839
Destination Marketing Campaign Funding		705,996	673,734
		<u>5,000,570</u>	<u>4,996,573</u>
Investment and Other Income			
Dividend Received		1,035	1,005
Interest Received		35,116	7,175
Other Income	41	526,000	420,484
		<u>562,151</u>	<u>437,664</u>
Total Income		5,562,721	5,434,237

The accompanying notes form part of these financial statements.

Statement of financial performance for the year ended 30 June 2016

	Note	This Year	Last Year
Expenses			
ACC Levy		2,551	4,453
Accountancy Fees		39,913	16,039
Advocacy		46,664	239,134
AGM Expenses		1,456	1,818
Amortisation of Intangible Assets		86,049	117,354
Audit Fees – Grant Thornton New Zealand Audit		-	10,866
Audit Fees – RSM Hays Audit		14,965	14,500
Bad Debts Written Off		350	-
Bank Fees and Interest		344	1,321
Committee Expenses		11,779	1,600
Computer/Phone Maintenance		32,573	20,273
Depreciation	2	78,830	94,304
Education/Seminars		3,705	-
Events, Sponsorship & Advertising	13	2,531,572	1,910,422
Forensic Accounting and Legal Expenses	12	39,395	401,861
Forgiveness of Loan		4,600	4,600
General Expenses		10,390	15,525
Insurance		21,408	17,203
Legal Fees		31,601	11,408
Loss on Sale of Fixed Assets		5,937	9,890
Low Value Asset		922	-
Membership Contributions		70,111	20,122
Office Services		21,005	24,823
Printing (Self)		7,221	4,835
Power		1,387	2,936
Printing, Postage & Stationery		14,289	11,927
Prior Period Assets Written Down		(9,400)	(8,879)
Recruitment Expense		39,988	34,013
Rent & OPEX		119,281	118,162
Residual Expenses		1,120,998	1,210,720
Security		76,323	55,366
Telephones/Internet		14,454	13,254
Website Management		22,020	21,740
Whore Ness App Operational Expenses		128,646	122,350
Total Expenses		4,602,417	4,629,002
Net Surplus		760,304	805,155

The accompanying notes form part of these financial statements.

Statement of movements in equity for the year ended 30 June 2016

	This Year	Last Year
Equity at 1 July	873,278	68,123
Net Surplus for the Year	<u>760,304</u>	<u>805,155</u>
Total Equity at 30 June	<u>1,633,582</u>	<u>873,278</u>

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2016

	Note	This Year	Last Year
Equity			
Retained Earnings		1,633,582	873,270
Current Liabilities			
Accounts Payable		513,509	264,173
Income Received in Advance	10	1,134,573	223,333
		<u>1,648,082</u>	<u>487,506</u>
Total Equity & Liabilities		<u>3,281,664</u>	<u>1,360,784</u>
Current Assets			
Cash & Cash Equivalents	10	2,567,017	460,235
Short Term Deposits		263,902	319,613
GST Receivable		51,572	59,542
Prepayments		4,000	-
Settlement Receivables	14	-	(15,000)
Accounts Receivable		22,816	54,191
Ferry Building Suspensory Loan - Current	9	4,400	4,400
		<u>2,922,707</u>	<u>961,541</u>
Non-Current Assets			
Plant and Equipment	3	225,546	186,839
Capital Work in Progress		13,375	10,000
		<u>238,921</u>	<u>196,839</u>
Investments			
Ferry Building Suspensory Loans - Non-current	9	26,400	30,800
Intangible Assets			
Website	8	89,511	134,012
Trademarks		5,125	5,125
Intangible Work in Progress		-	32,427
		<u>94,636</u>	<u>171,564</u>
		<u>357,957</u>	<u>399,803</u>
Total Assets		<u>3,281,664</u>	<u>1,360,784</u>


 T. Gould, Chairman

 Board Member

31/10/2016
 Date
 31/10/2016
 Date

This financial statement does not constitute financial statements.

Notes to the financial statements for the year ended 30 June 2016

1 Statement of Accounting Policies

These are the special purpose financial statements of Heart of the City Incorporated. Heart of the City Incorporated is domiciled in New Zealand and is an incorporated society under the Incorporated Societies Act 1908. Heart of the City as an incorporated society is not required to report under the new Public Benefit Entity International Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not For Profit entities. The board have decided to prepare special purpose financial statements in accordance with the accounting policies stated in these financial statements. The board considers that the accounting policies adopted in these special purpose financial statements are appropriate to give the users of the financial statements meaningful information about the performance and position of the organisation.

Measurement System

The measurement system adopted is that of historical cost.

Particular Accounting Policies

The following is a summary of the significant accounting policies adopted by Heart of the City Incorporated in the preparation of these financial statements.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recognised in the Statement of Financial Performance to write off the cost of an item of property, plant & equipment, less any residual value, over its expected useful life, at the rates listed below.

Gains and losses on disposal of property, plant and equipment are taken into account in determining the financial performance for the year.

	Rate	Method
Office Equipment	16% - 67%	DV
Computer Equipment	16% - 60%	DV
Fittings and Furniture	11.4% - 21.6%	DV
Promotional Assets	10% - 48%	DV
Promotional Assets	20%	SL

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as an expense in the periods in which they are incurred.

Accounts Receivable

Accounts receivable are valued at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

Notes to the financial statements for the year ended 30 June 2016

Investments

Investments are stated at cost.

Goods and Services Tax

Financial information in these accounts is recorded exclusive of GST with the exception of receivables and payables, which include GST. GST payable or receivable at balance date is included in the appropriate category in the Statement of Financial Position.

Intangibles

The website is accounted for using the cost model whereby capitalised costs are amortised on a diminishing value basis over its estimated useful life using a 50% D.V. method, as this asset is considered finite. Residual values and useful lives are reviewed at each reporting date. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. Other expenditure is recognised in profit or loss when incurred. Trademarks are recognised at cost and are not amortised as they are not considered finite.

Accounts Payable

Trade and other payables represent liabilities for goods and services provided to Health of the City Incorporated prior to the end of the financial year which are unpaid. The accounts are unsecured.

Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by way of grants and sponsorship.

Investment Income

Interest is accounted for as earned.

Income Received in Advance

Income received in advance relates to funds received from partners and the council where there are unfulfilled obligations for Health of the City Incorporated to provide services in the future. These are recorded as revenue as the obligations are fulfilled.

Tax

From 1 July 1999 the entity was exempt from income tax under section CNZ 40(1) of the Income Tax Act 2007.

Changes in Accounting Policies

Health of the City Incorporated has previously reported in accordance with NZ Financial Reporting Standards and Statements of Standard Accounting Practice "NZ FRS". The accounting policies adopted in these financial statements are consistent with those of the previous financial year under NZ FRS.

Notes to the financial statements for the year ended 30 June 2016

2	Depreciation	This Year \$	Last Year \$
	Depreciation Office Equipment	1,296	1,707
	Depreciation Computer Equipment	8,197	8,759
	Depreciation Office Fixings & Furniture	7,198	8,481
	Depreciation Promotional Assets	62,139	75,361
		<u>78,830</u>	<u>94,308</u>

3	Plant and Equipment			
	Year Ended 30 June 2016	Cost \$	Accum Depn \$	Book Value \$
	Office Equipment	18,300	13,213	5,087
	Computer Equipment	71,659	46,022	25,637
	Office Fixings & Furniture	122,582	81,355	41,227
	Promotional Assets	553,401	399,802	153,599
		<u>765,942</u>	<u>540,392</u>	<u>225,540</u>
	Year Ended 30 June 2015			
	Office Equipment	18,300	11,917	6,383
	Computer Equipment	52,178	37,826	14,352
	Office Fixings & Furniture	122,582	74,161	48,421
	Promotional Assets	523,387	405,704	117,683
		<u>716,447</u>	<u>529,608</u>	<u>186,839</u>

4 Related Parties

The society has conducted transactions with related parties as follows:

Party	Relationship	Transaction
Gary Langford	Former Board Member	Landlord (Part Owner), Funding paid to related party
Sarah Hull	Board Member	Funding paid to related party, Partnership fees received from related party

Total rent paid to the 26 Lozno Street Limited where Gary Langford (Former Board Member) is a part owner was \$119,281 (2015: \$118,162). No amounts are outstanding at year end.

No related party debts have been written off or forgiven during the year (2015: \$Nil).

5 Contingent Liabilities

There are no contingent liabilities at year end (2015: \$Nil).

Notes to the financial statements for the year ended 30 June 2016

6 Capital Commitments

There are no capital commitments at year end (2015: \$Nil).

7 Lease Commitments

Lease commitments from non-cancellable operating leases at balance date are:

	This Year	Last Year
	\$	\$
Current	79,941	111,372
Non-Current	<u>15,570</u>	<u>67,217</u>
	<u>95,519</u>	<u>178,589</u>

8 Intangible Assets

	This Year	Last Year
	\$	\$
Website at Cost	583,685	542,137
Less Accumulated Amortisation	<u>(491,171)</u>	<u>(408,125)</u>
	<u>92,514</u>	<u>134,012</u>

9 Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$30,800. This loan is being forgiven in ten equal instalments of \$3,100 upon each anniversary of the initial payment. If the Ferry Building Partnership for any reason is not able to meet the terms of the agreement, the remaining loan balance will be payable to Her Majesty the Queen.

10 Income Received in Advance

Within Income Received in Advance as at 30 June 2016 are targeted rate funds received prior to year end from Auckland Council totalling \$1,052,906. As the funds relate to the 1st Quarter of the next financial year these funds have been recognised as a liability and will be recorded as revenue in the next financial year.

11 Other Income

	This Year	Last Year
	\$	\$
Insurance Claims	-	55,566
Recovery of Misappropriated Funds	<u>326,000</u>	<u>373,916</u>
	<u>326,000</u>	<u>429,482</u>

12 Forensic Accounting and Legal Expenses

Forensic work includes work carried out by McGough Nicol and Russell McVeagh in relation to the proceedings against the former Chief Executive Alex Sweeney.

Notes to the special purpose financial statements for the year ended 30 June 2016

13 Events, Sponsorship and Advertising

Expenditure cuts were made in these areas in the 2015 year given the need to cut costs while the fraud by the former Chief Executive Alex Swaney was investigated.

14 Status of Fraud Proceedings

Heart of the City Incorporated reached a settlement in respect of its claims against two trusts which were alleged to have received funds taken impropriately by its former Chief Executive Alex Swaney. With two payments (totalling \$173,216) confirmed and a third recorded as a contingent asset at balance date last year, the final payment of \$126,000 is recorded as income in the financial statements for the year ended 30 June 2016.

Proceedings against Mr Swaney have been discontinued. Subsequent to balance date this year, Heart of the City Incorporated filed for proof of debt in his bankruptcy.

15 Events After Balance Date

No significant events have occurred after balance date.



HEART OF THE CITY Annual General Meeting

Level 2
26 Lorne St
Auckland CBD
25th October 2016

Minutes

1. **The Chairman Martin Snedden declared the meeting open at 6.00pm**

2. **Apologies**

Apologies were received from Terry Gould, Jason Copus and Chris Cherry.

That the apologies be received

Moved: Martin Snedden
Seconded: Paddy Stafford-Bush
CARRIED

3. **Confirmation of Minutes from 2015 Annual General Meeting (AGM)**

That the minutes of the AGM held on 29 October 2015 be approved

Moved: Sarah Hull
Seconded: Andrew Stringer
CARRIED

4. **Chair's Report**

The Chair's Report was presented by Martin Snedden, in the absence of Terry Gould. Refer Appendix 1.

That the Chair's report for the preceding year be received

Moved: Martin Snedden
Seconded: Paddy Stafford-Bush
CARRIED

5. Treasurer's Report

Viv Beck, in the absence of Jason Copus, Treasurer, spoke to the meeting regarding the Financial Statements for the year end 30th June 2016.

That the Annual Financial Statements for 2015/16 be approved

Moved: Shane McMahon
Seconded: Greg Moyle
CARRIED

That the overall level of funding from the 2017/18 Heart of the City BID targeted rate be increased by 5% from 2016/2017 rate

Moved: Shane McMahon
Seconded: Regan Hall
CARRIED

That the Executive Committee be authorised to pay reasonable remuneration to the Executive Committee Chairperson under Rule 12.2

Moved: Shane McMahon
Seconded: Andrew Stringer
CARRIED

That the proposed budget for 2017/18 be approved

Moved: Shane McMahon
Seconded: Paddy Stafford-Bush
CARRIED

6. Appointment of Auditor

That the Executive Committee is directed to reappoint RSM New Zealand to conduct the audit on the 2016/17 accounts

Moved: Shane McMahon
Seconded: Regan Hall
CARRIED

7. Special Resolution

That the three-year BID programme agreement to 30 October 2019 between Auckland Council and Heart of the City Inc. be approved

Moved: Martin Snedden
Seconded: Greg Moyle
CARRIED

8. Chief Executive's Report

Viv Beck gave an overview of Heart of the City's key areas of focus over the last year and a summary of the 2016/17 Annual Plan.

9. Retiring Executive Committee Members

As contained in Rule 14.5 of our Constitution, the following Board members will remain on Heart of the City Executive Committee as their third anniversary date has not yet been reached:

- Jason Copus
- Andrew Stringer
- Chris Cherry
- Paddy Stafford-Bush
- Regan Hall

At each Annual General Meeting at least 3 of the Executive Committee members shall retire from office, but shall be eligible for re-election at that meeting.

Resignations were received from the following Executive Committee members:

- Terry Gould
- Shane McMahon
- Sarah Hull

10. Election/confirmation of Executive Members

Nominations were received:

- Martin Snedden
- Shane McMahon
- Sarah Hull
- Greg Moyle (Moved from the floor)

That Martin Snedden, Shane McMahon, Sarah Hull and Greg Moyle be declared elected to the Executive Committee for a three-year term ending at the 2019 AGM.

Moved: Andrew Stringer

Seconded: Regan Hall

CARRIED

Outgoing Chair – That Terry Gould be thanked for his contribution to Heart of the City over many years

Moved: Martin Snedden

Seconded: Paddy Stafford-Bush

CARRIED

11. Martin Snedden opened the floor for general business

There was general discussion regarding:

Christmas Decorations

Carparking and accessibility

Meeting was declared closed at 7.21pm

Appendix 1 -Chairman's Report –
Heart of the City 2016
Terry Gould

2016 has been an excellent year for Heart of the City. This has come off the back of a period of challenge and change yet the organisation is all the stronger for it and is now moving up a notch in terms of its representation and delivery to central city business.

The recent strength of the national economy is being translated into significant growth in the Auckland region, bringing with it both opportunities and demands. Our destination and marketing events programme is utilising multiple communication channels to draw more people into the city with the consequential purchasing spend increasing significantly ahead of our competitors. At the same time however, we are being confronted with the intrusive reality of several major construction projects in the CBD which while providing longer term future benefits for the city, will impact significantly on some sectors of our membership in the short term. HOTC therefore has a significant role to play in monitoring these activities and advocating on behalf of our members during this period of quite significant disruption.

Our Chief Executive Viv Beck is thriving in her role and during her first year has quickly come to grips with HOTC's special type of business and very effectively drawn on her previous multi sector experience to the benefit of this organisation. Recent legislative requirements (such as Health and Safety) while requiring significant operational change have been implemented seamlessly. The office continues to run smoothly and the level of information and reporting to the Executive Committee is impressive. In her report to this meeting, Viv will no doubt mention HOTC's achievements this past year. What she will probably not mention is the passion, enthusiasm and apparent boundless energy which she applies to her role. Thank you Viv for an outstanding year and we look forward to some of the exciting new initiatives you have planned.

Of course these achievements continue to be underpinned by the dedication, devotion and plain hard work from the team in the HOTC office. Thank you all once again for your loyalty through these recent times of change through which you have all navigated so amazingly well both as individuals and as a tight knit, highly professional team.

In the same manner, this past year the members of your Executive Committee have continued to show great dedication and commitment to the ongoing effectiveness of HOTC's impact on Auckland business. Their input at a strategic level has been invaluable and they have continued to make across-the-board improvements to systems and organisational governance. One such change has seen the role of Chair being expanded to that of a professional paid director, bringing with it a level of experience and process appropriate for an organisation such as HOTC.

We were therefore very pleased to recently have Martin Snedden join the Executive Committee and accept the appointment of Chair following my stepping down from that role. Martin's experience and business reputation precede him and HOTC now has the potential to benefit greatly from his leadership at such an important and exciting stage of the organisation's development.

So it is with a great sense of optimism that I am standing down from the HOTC Executive Committee at a time when HOTC is in such a good health. Its leadership is strong and experienced, its vision is clear and well articulated and the future is bright. I have been personally enriched by the experience of working with some remarkable people and my passion for this city remains strong. I am confident that Heart of the City will continue to achieve great things for the benefit of central Auckland business.

ENDS



HEART OF THE CITY

Annual Report 2015

Championing
a Successful
City Centre for
Business





Contents

A letter from our Chair.....	3
Executive Committee	4
Welcome introduction.....	5
Our membership	6 - 7
A city centre that is positive for business.....	8 - 9
Marketing the city centre as a destination	10 - 15
Sponsored annual events	13
Channel reach	16
Improving safety in the city centre	17
Monitoring the city centre's performance	18
Perceptions of the city centre	19

A letter from our Chair

Auckland is evolving as an international city and there have been many exciting developments this year. The city centre continues to evolve physically and key indicators such as retail spend and pedestrian foot traffic in the inner city continue to increase. Prime office and retail vacancy rates have reduced, with many new brands on offer in prime locations. This progress has evolved during a particularly difficult period which Heart of the City faced this year. I would like to pay tribute to our staff who remained passionate and focused on Heart of the City's day to day work and delivering benefit to our members.

We continue to promote the city's breadth of events, dining, shopping, arts and culture, and entertainment, positioning the city as a diverse and exciting place to be. We also sponsor and deliver events that bring people to the city and create a sense of vibrancy. Our WHERE NEXT™ app has put us at the forefront of mobile technology and provides inspiration for locals and visitors about where to go and what to do when they come to the city.

This year we advocated strongly for a long-term Port study that takes account of the economic, social, environmental and other impacts of expansion into the Waitemata Harbour. Our work, along with others, has successfully achieved this review, due for completion in 2016.

We have played a key role in influencing projects funded by the City Centre Targeted Rate, which are transforming the city physically. A programme is in place for the next 10 years that continues the pace of transformation across the city. We have also seen progress with operational matters, such as initiatives to improve safety.

This is a time of unprecedented change for Auckland and Heart of the City is well positioned as it moves into a new era of leadership.



Terry Gould

Chair, Heart of the City Executive Committee

Executive Committee



Shale Chambers

Chair,
Waitemata
Local Board

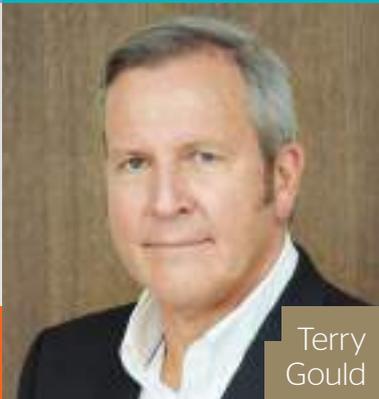


Chris Cherry

Owner,
Workshop Denim
and Helen Cherry



Jason Copus



Terry Gould

CHAIR
Owner,
Phillimore Properties

**DEPUTY CHAIR
AND TREASURER**
Chief Financial Officer,
Smith and Caugheys



Regan Hall

Director, BTL



Sarah Hull



Gary Langsford

Marketing Director,
Cooper and Company

Co-owner and Director,
Gow Langsford Gallery
and John Leech Gallery



Shane McMahon

General Manager,
NZ Bus



Paddy Stafford Bush

Property Owner,
Dilworth Building

Associate Members

Denise L'Estrange-Corbet CEO Co-Founder World
Andrew Stringer Director, Rangitoto Advisory

Welcome

As a frequent visitor to Auckland over many years, I have watched the city change and it has a stronger heart now, with so much more to see and do. It looks and feels different, with new precincts, heritage buildings restored, street upgrades and revamped public spaces. Joining Heart of the City, I have felt welcome and excited by the opportunities ahead.

A recent survey* of Aucklanders indicates that more than 70% of respondents agree or strongly agree that Heart of the City plays an important role in ensuring Auckland's city centre is vibrant and successful. This is a great foundation to build on.

We know there is more that can and must be done. There is growing recognition that if Auckland city is successful, that is good for the rest of the region and for New Zealand. However, the transformation to an international city, with rapid growth and change, will present both challenges and opportunities. We will need to continue to work effectively with our members to ensure we focus on the things that will make the biggest difference in building a successful city centre for business.

Viv Beck
Chief Executive



*Source: Heart of the City
Annual Survey, Buzz Channel,
September 2015

The HOTCity team

Angela Barlie Office Co-ordinator

Viv Beck Chief Executive

Kate Cleaver Marketing Manager

Billie Drew Digital Marketing Specialist

Emma Jones Brand Manager

Tania Loveridge Centre Manager

Jane Stewart Events and Sponsorship Manager

Erin Taylor Events and Sponsorship Executive

Riah Vather Marketing Executive

10,800

City centre
businesses

4,000⁺

Commercially
rated
properties

1200⁺
Property
owners

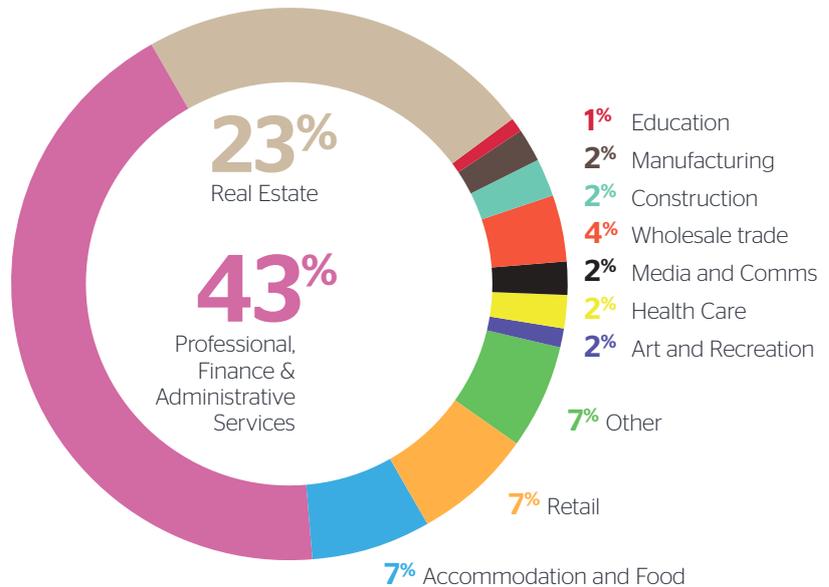
There is a large
and diverse
business mix in
the city centre



HEART OF THE CITY

Heart of the City membership

Heart of the City members are property owners, business owners, occupants and tenants of commercially rated property that sits within our defined boundary. We are a membership organisation, governed by a constitution and eligible businesses and property owners within the Heart of the City boundary can join to gain voting rights and other benefits of membership. There are a large number of eligible businesses and property owners within our boundary and we continue to encourage active membership.



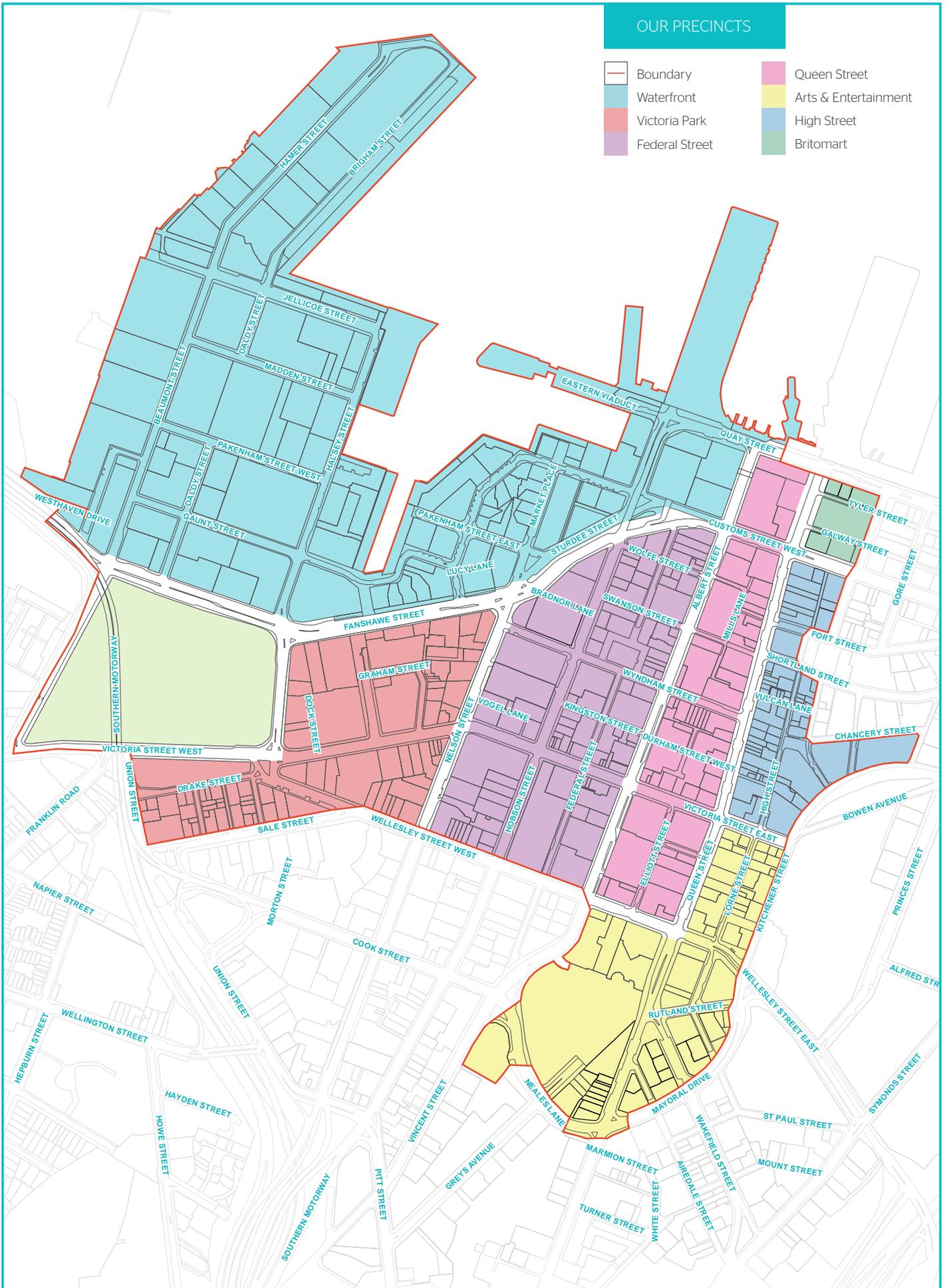
ENGAGING WITH OUR MEMBERS

We continue to receive positive feedback about our regular member communications and we have a growing number of followers across our media channels. Our communication covers a range of topics relevant to the city centre, including updates on major projects across the city. This year we sought to understand the views of our members on specific projects and priorities – including Auckland Council's Long Term Plan and the views of businesses and property owners in the High Street District about the recent O'Connell Street upgrade and the future of High Street.

We have also had great involvement from a number of retail, hospitality and restaurant members across our Restaurant Month, Fashion in the City and Winter campaigns. Our members are at the heart of what we do to champion a successful city centre for business. With so much happening across the city, it's important that we are attuned to their needs and we will continue to refine our approach to how we engage and communicate with our members.

OUR PRECINCTS

- Boundary
- Waterfront
- Victoria Park
- Federal Street
- Queen Street
- Arts & Entertainment
- High Street
- Britomart



A city centre that is positive for business

Our focus for advocacy this year has been on achieving positive outcomes that are good for the city centre and for business.

City centre transformation through our role on the Auckland City Centre Advisory Board

We influenced the allocation of City Centre Targeted Rate (CCTR) funding for city centre transformation projects across the future ten year programme.

We supported **\$15.8M** to be committed for investment into the High Street precinct. Heart of the City will be heavily involved in the scope and approach to this project over the 2015/2016 year, as well as other key projects included in the programme for the next three years.



We were instrumental in crafting and securing a new look City Centre Targeted Rate for 2016 to 2025. This no longer funds the consequential opex or depreciation of completed projects, meaning that the **\$20M** collected per annum will fund the capital cost of city centre transformation projects.

PORTS AND WATERFRONT

This year we continued to highlight our concerns around the impact that incremental decision making, and a lack of certainty around planning regulations, could have on our waterfront and wider city development. We did this through our Unitary Plan submission process, as well as lobbying to Auckland Council, alongside other key partners, on the need for a comprehensive long term Port study. We advocated that this study should include assessment of economic, social, environmental and other impacts, and analysis of options to facilitate effective decision making for the long term that support a liveable and growing international city.

Success came during 2015, with confirmation from Council of a holistic, far reaching Port Future Study to be completed in 2016. We now have an ongoing role in this study as a member of the Stakeholder Reference Group. We will continue to represent the interests of business and the wider city centre environment through this process until its completion.

TRANSPORT, INCLUDING PARKING

During 2014, we lobbied Auckland Transport to consider prioritising short-term parking over long-term parking spaces in their city centre parking buildings. In early 2015, Auckland Transport removed earlybird parking from their buildings and over time, have increased the cost of long term parking. This strategy is resulting in an increased number of parking spaces made available for short term use – supporting business, retail and other activity in the city centre.

We have remained close to key transport projects in the City Centre, including the City Rail Link, and have been involved in early conversation around the potential for Light Rail in the City Centre, highlighting the need for an integrated transport plan and a highly visible consultation process.

SAFETY

We have continued to focus on the importance of improving the perception and experience of safety in the city centre. We have done this through our role on the Mayoral Task Force and Safety Team; submissions on the Local Approved Products (psychoactives) and Alcohol Policies; supporting the retention of 24/7 alcohol bans in the city centre; ongoing liaison with key agencies including NZ Police as well as with agencies that work with vulnerable communities including the homeless; and supporting and funding a number of safety and crime prevention programmes, which are outlined later in this report.

THE AUCKLAND UNITARY PLAN

This year our involvement in Council's Unitary Plan was through the hearings process. We participated in hearings for Heritage - with a goal of achieving greater certainty for property owners, as well as highlighting the importance of including a range of incentives in the plan; and the Port precinct - seeking non-complying status for further reclamation in advance of any wider long term Port study being completed. The outcome of our participation will be known in 2016.

Submissions made:

- Alcohol Control Bylaw
- Auckland Council Long Term Plan 2015-2025
- Auckland Regional Land Transport Plan 2015-2025
- Local Alcohol Policy
- Local Approved Products Policy
- Parking Discussion Document for the Auckland Region
- Skypath Resource Consent
- Signage Bylaw
- Street Trading and Events Bylaw

MEDIA

We have continued to be active in the media, taking the opportunity to champion the city centre across a range of topics, including the arrival of new business, particularly new retailers, as well as across parking, developments, events and other matters affecting city centre businesses.

A WELL MANAGED CITY CENTRE

We work with Council, Auckland Transport and other agencies to achieve a well-managed and co-ordinated city centre. This year we have reviewed and advised on applications for filming, events, utility upgrades and other activity in the street to ensure that what is proposed will not unnecessarily disrupt business, as well as ensuring that the right level of consultation with affected businesses is carried out. We have continued to facilitate business enquiries, and liaison with the appropriate agencies to see resolution of day-to-day operational issues in the city centre.

Making the city centre a destination

Marketing & Events

In 2014 we took a leap forward in how Auckland was promoted as a destination, joining up in partnership with ATEED (Auckland Tourism Events and Economic Development) to deliver the urban articulation of our joint creative platform, AKL: The Show Never Stops (winners of the Lifestyle/Travel/Leisure category - NZ Marketing Awards, 2014).

Heart of the City invested in the urban side of this story across Winter 2014, with a campaign which positioned the city as a vibrant, diverse and exciting place to be. This ran alongside the launch of our new mobile, city guide app, WHERE NEXT™.

WHERE NEXT™ puts the Heart of the City at the forefront of mobile technology. It is an exciting development in terms of providing inspiration to locals and visitors to the heart of the city, and in terms of what it will enable us to do in the future. The app is a handy utility that provides information on where to go and what to do next when visiting the central city. Importantly, it builds on a fast growing global trend to smartphone mobile use and the effectiveness of personalised and relevant content delivered direct to a mobile device.

Key Highlights of 2014/15

Launched **AKL : The Show Never Stops** joint creative platform and story for Auckland with partners ATEED, the first time Auckland has had a single unified marketing story.

Continued our **NZME.** media partnership delivering over **\$900k** in value, thereby increasing the visibility of our marketing.

Our **WHERE NEXT™** App has been very successful with **35,000** downloads, and more than **1,060** users of the app every day.

Consumer spending for the total Heart of the City was up **+8.7%** during the 12 weeks of Winter 2014 campaign, an incremental **\$24m.**

Social media channels continue to grow, with **120,000** Facebook fans for Heart of the City and weekly email subscribers of **38,000.**

Our website visits grew by **22%** Year on Year, with **1.5m** total visits and **920,000** unique visitors.

WINTER CAMPAIGN 2014

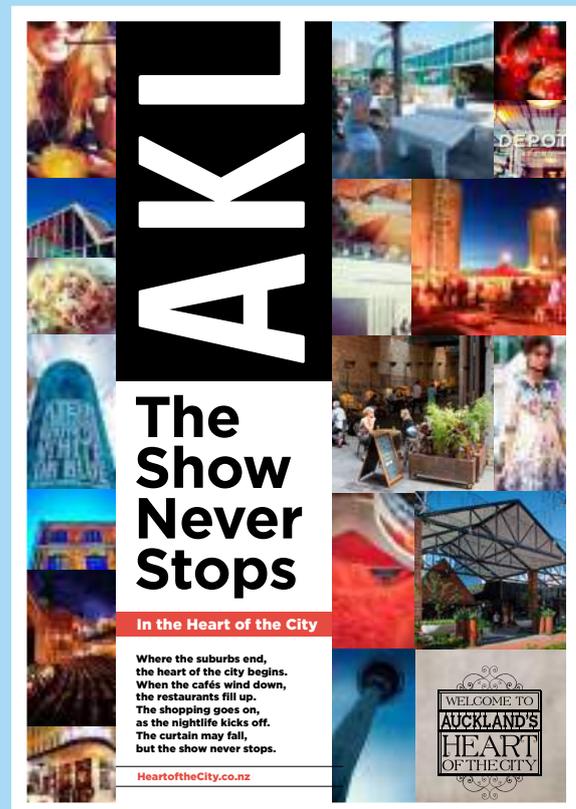
The Show Never Stops

The task for Winter 2014 was to deliver an engaging campaign that cemented the Heart of the City as the place to go to experience where 'The Show Never Stops' - or put plainly, showcase the breadth and depth of experiences that you will only find in the city.

We leveraged the media partnership with NZME to put 'the show' on Aucklanders radar during winter, with editorial that focused on the diversity of events and experiences on offer. For example, every Monday for 12 weeks we curated Aucklanders Top 5 Tips of things to do in the central city and shared them on the NZ Herald and via social media. Each week, key titles like Viva, TimeOut, Canvas and Weekend ran editorial focusing on the city (with the advert sitting alongside). This approach substantiated the claim (via editors and trusted titles) that the show never stopped, and was backed up by the WHERE NEXT app, as the hub of all that was on offer, creating a high level of interaction and participation with social media (and mobile) at its heart.

Results

- **8.7%** increase in spending for Heart of the City (over 12 weeks of winter) or **\$24m**, while competitor spending was up just **3%**
- **85%** had positive perceptions of the central city as being aspirational, cultured and vibrant and **77%** were motivated to visit the city as a result of the advertising



Increase in spending over 12 weeks or \$24m



WHERE NEXT™ APP

- A free, handy city guide app that encourages people to stay longer and do more in the city, by providing inspiration of where to go and what to do next
- An updated NEW and IMPROVED version launched July 2015 putting the user in control of the type of suggestions they're looking for i.e. Food / Drinks / Coffee / Events etc.

Results

- **35,000** downloads
- **64%** said it encourages them to visit (vs 52% last year)
- **75%** would recommend it to others (vs 71% last year)

CITY DEALS 2014

16 June - 31 August

- City Deals, involving **92** city centre businesses, was a chance to drive people to retail and hospitality businesses during the quieter winter months by offering great value, short or long term deals to Aucklanders.
- Deals were promoted every 2 days, via Facebook, our Website, WHERE NEXT™ App, and e-newsletter.
- **15,500** deals claimed, **+29%** on 2013.



15,500 Deals claimed

RESTAURANT MONTH 2014

3 JULY - 31 AUGUST

- Fourth year of our signature dining event
- Sponsored by American Express
- Over **100+** participating restaurants, **20+** events, including the international chef dining series, and second year of Street Eats, (**23,000** visitors)
- **9 week** campaign included Print Media, Outdoor, Digital (including Facebook & Mobile), **120,000** copies of the A5 Event Guide inserted into the NZ Herald late July
- Editorial Partnership with Viva delivering 8 weeks of coverage and over **\$600k** worth of added value, and PR valued at over **\$660k**.

Results

- Spending **+21%** vs 2013 with participating restaurants, and up **+8.6%** for total HOTC.

\$15.9m

Spent at
Participating
Restaurants (+21%)



HEART OF THE CITY MAPS 2015

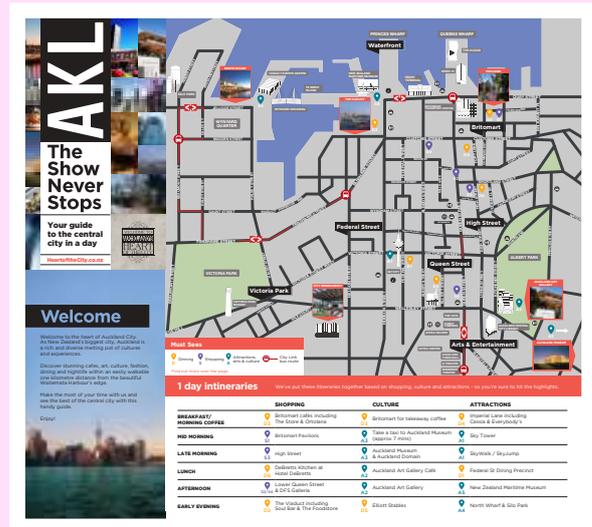
- **100,000** maps distributed via our Ambassadors to visitors and hotel concierges



CRUISE SEASON 2014/15

Guide to AKL in a Day

- With over **158,000** Cruise Guests, on **94+** Ships coming in almost daily over summer, our guide to Auckland in a day has been developed to keep visitors in the city centre, and experience the best of what we have to offer.
- **50,000** guides were handed out at Queens Wharf via Heart of the City Ambassadors, and the Queens Wharf and Karanga Plaza kiosks.
- Extremely positive feedback from cruise guests, Cruise NZ, city centre businesses, i-site staff and ATEED.



2014/15 Sponsored events

ARTWEEK 2014

10 - 19 October



Artweek Auckland is run by the NZ Contemporary Art Trust with the aim of growing Auckland's visual arts audience through discovery and discussion. Heart of the City is a founding sponsor of the event and activates the central city with events and activities alongside a complementary communications programme.

NZ Fashion Weekend 2014

29 - 31 August



As a key part of NZ Fashion Week - NZ Fashion Weekend celebrates the fashion industry with Aucklanders and visitors with in-season shows and parties. As a founding sponsor of Fashion Week, Heart of the City supported this stylish event in 2014 at the Viaduct Events Centre.

Farmers Santa Parade 2014

Sunday 30 November



For over 80 years the Farmers Santa Parade has announced the start of Christmas to Aucklanders. Heart of the City has been a long term supporter of this iconic event that brings massive crowds into the central city for this annual celebration.

Auckland Arts Festival 2015

4 - 22 March



The Auckland Arts Festival is a cultural celebration of diversity, people, place, culture and art and embodies the spirit of Auckland. Heart of the City is proud to be a founding and on-going sponsor of this internationally acclaimed event that will be delivered annually from 2016.

2015/16 Marketing activity to date

1 July 2015 – 1 Oct 2015

\$2.2m

Additional value via the NZME Partnership in 2015

57%

Growth of Advertising Awareness achieved

+8%

In consumer spending, or \$26.4m

WINTER CAMPAIGN 2015

Heartmarks

The Heartmarks campaign over Winter 2015 was about asking Aucklanders to share via Instagram and **#myheartmark** hashtag - the places, moments and experiences that make the central city special for them. We then curated and published their stories and images via print ads, outdoor adshels, street posters, and online.

- Heart of the City had a Heartmarks 'hub' featured on the homepage of NZH.co.nz for 12 weeks. A coup, reaching **110,600** unique web browsers, and **162,200** page views.
- Over **\$2.2m** additional value via the NZME Partnership in 2015.
- NZME editors, stylists and photographers created Heartmarks of their favourite central city moments and called for readers to create their own.
- We then set about promoting contributed Heartmarks, via our integrated social media channels, advertising and the partnership with NZME.

Early Results

- Visits to Heart of the City's website **+23%**, with **625,000** total visits during the 12 weeks (versus 509k same time last year).
- Awareness of the Heartmarks campaign was **36%** (vs **23%** last year), an increase of **57%**.
- Consumer spending was up **+8%** or **\$26.4m** during the 12 weeks of winter, versus competitors +4% 2015.

THE PLACES YOU **AKL**
The Snow Never Stops

#myheartmark
Pork belly @Miss Clavely. Get in! #myheartmark

#myheartmark
A White Lady under a 'starry sky' - an Auckland institution since 1948 Auckland #foodtruck #Bromart #WhiteLady Auckland @Bromart

#skintimesons
One of the things I love most about Auckland is from most locations you can see the Sky Tower. It reminds me I'm at home. LOVE this little city of ours. #myheartmark

#MYHEARTMARK
Explore more heartmarks at heartofthecity.co.nz

AUCKLAND'S HEART OF THE CITY
COLLENDRO

By uploading images to Instagram with #myheartmark, you agree to allow Heart of the City to publish your profile name, image and account name on any website, without modification or permission of your user. Any content, including an overall, will be used for social media.

RESTAURANT MONTH 2015

1 July - 31 August



- Fifth year of our signature dining event, sponsored by American Express.
- ATEED partnered in this event, investing into a marketing campaign for Wellington and Christchurch - to drive visitation to Auckland.
- Over **100** restaurants participated with menu offers, and over **30** in restaurant events, plus the International Chef Dining Series, Street Eats (**14,000** visitors) and Wine Auckland (**2,300** visitors)
- A dedicated Marketing and PR Campaign including an Editorial Partnership with Viva which delivered **\$700k** editorial value (**+16%** on last year) and an additional PR value of **\$650k**.

Growth of Awareness for Restaurant Month

+49%

Spending up with participating restaurants

+11.3%

Results

- Visits to the Restaurant Month web pages were up **+7.3%**, with **338k** page views, versus 315k last year.
- **+49%** growth of awareness for Restaurant Month to **67%** in the last 12 months.

Consumer Spending 1 - 31 August

Showed growth of **+11.3%** amongst participating restaurants, and **+13.3%** for total Heart of the City

CITY DEALS 2015

1 July - 31 August

- With significantly less investment in 2015, results were still really strong
- Over **12,600** offer claims (achieved **80%** of last year's total 15,500 claims) with 75% less spend

12,600 Deals claimed



Channel reach



Website
total Visits
1,500,000 total
visits **+22%**
on last year



Unique Web
Visitors
920,000
unique visitors



Repeat Web
Visitor Rate
41.8%
repeat visits



Weekly email
database
38,000
subscribers



WHERE NEXT™ App
35,000 downloads



Heart of the
City page
120,000 Likes



HeartOfAkICity
13,700
followers



HeartOfAkICity
4,000
followers

As at October 2015

Improving safety in the city centre

Improving the perception and experience of safety in the city centre is a key priority for Heart of the City. Earlier in this report we outlined our work to advocate for and collaborate with others to address concerns raised by our members such as the impact that anti-social behaviour has on the city. We also support a number of practical programmes that focus on crime prevention in the city centre:

CITYWATCH

In partnership with Auckland Council, we support the CityWatch programme, which is focused on improving the perception and experience of safety in the city centre, primarily through enforcement of the city's public nuisance and safety bylaw. Over the course of the year, there has been improvement in managing anti-social behaviour - following additional CityWatch resource targeting peak periods and joint patrols with NZ Police. We acknowledge however that the city centre continues to have challenges in terms of managing anti-social behaviour and associated activity. We will continue to be active in this area.



CityWatch team



STOREWATCH

This year the StoreWatch programme, a communications network of more than 150 city centre retailers working together to reduce retail theft, in partnership with Heart of the City and NZ Police, has gone from strength to strength.

The number of retailers involved in the scheme has grown significantly and through this a greater sense of community between retailers has developed. The scheme has received national recognition from NZ Police, and has since grown to Wellington and is being planned for other Auckland retail areas. A number of arrests have been made, and a wealth of intelligence received, as a result of the communications received via the network.

“ the staff feel a lot safer now that they are using StoreWatch and not so isolated...every retail community should have it ”

Christine Sharma, Managing Director, Ruby NZ



BARWATCH

This year we have continued to support the BarWatch communications network - linking bars, the CityWatch team and NZ Police. The scheme, established to improve the overall night time environment of the city centre, continues to be a vital link in preventing and responding to late night issues.

“ It has been very useful and in some cases instrumental in keeping unwanted patrons out. We feel it really does improve general safety in the CBD. ”

Rauairi Hatrick - Cassette 9

Change to City Centre Services

During the year we reviewed our service offering in the context of our strategic direction and a decision was made to cease our Heart of the City Guide (ambassador) programme. Our ambassadors have been a valued part of our team and we thank them for their contribution to the heart of the city.

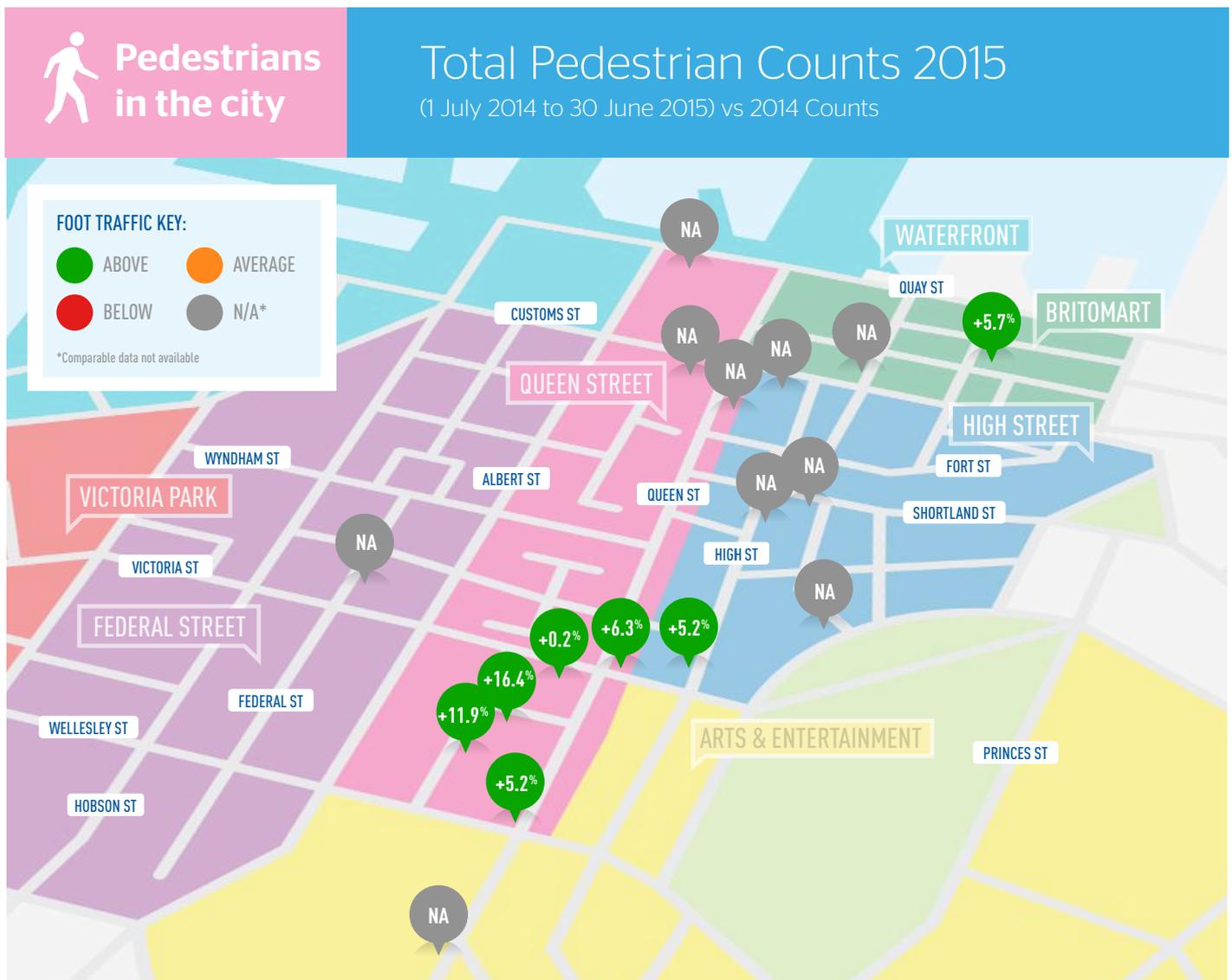
Monitoring the city centre's performance

We continue to see an upward positive trend of the city centre's key performance indicators - including spending, vacancy rates and pedestrian counts. This is also reflected in the overall business confidence in the city centre, with a number of new businesses arriving, as well as a large number of private developments currently underway or planned for in the future, evident by the growing number of cranes on the skyline.

PEDESTRIANS IN THE CITY

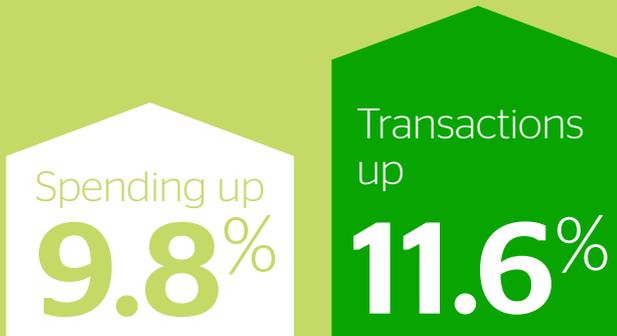
We monitor 24/7 pedestrian counts across 18 sites throughout the city centre. The data, freely available from our interactive website, is invaluable in identifying key trends across the year, as well as evaluating the impact on foot traffic from major events and other infrastructure upgrades.

We have seen an overall year on year increase in total pedestrian counts across the seven sites we monitor that have been in place for a full two years. This year we successfully secured City Centre Targeted Rate funding from Council to fund 50% of the ongoing operating costs of the pedestrian count programme from 2016-2025.



Retail Performance

To Year End June 2015, the City Centre Results were:



Compared to same time last year

Source: Marketview Ltd. July 2015

Vacancy Rates

0.7% **Prime office**
(from 2.5% in 2014)

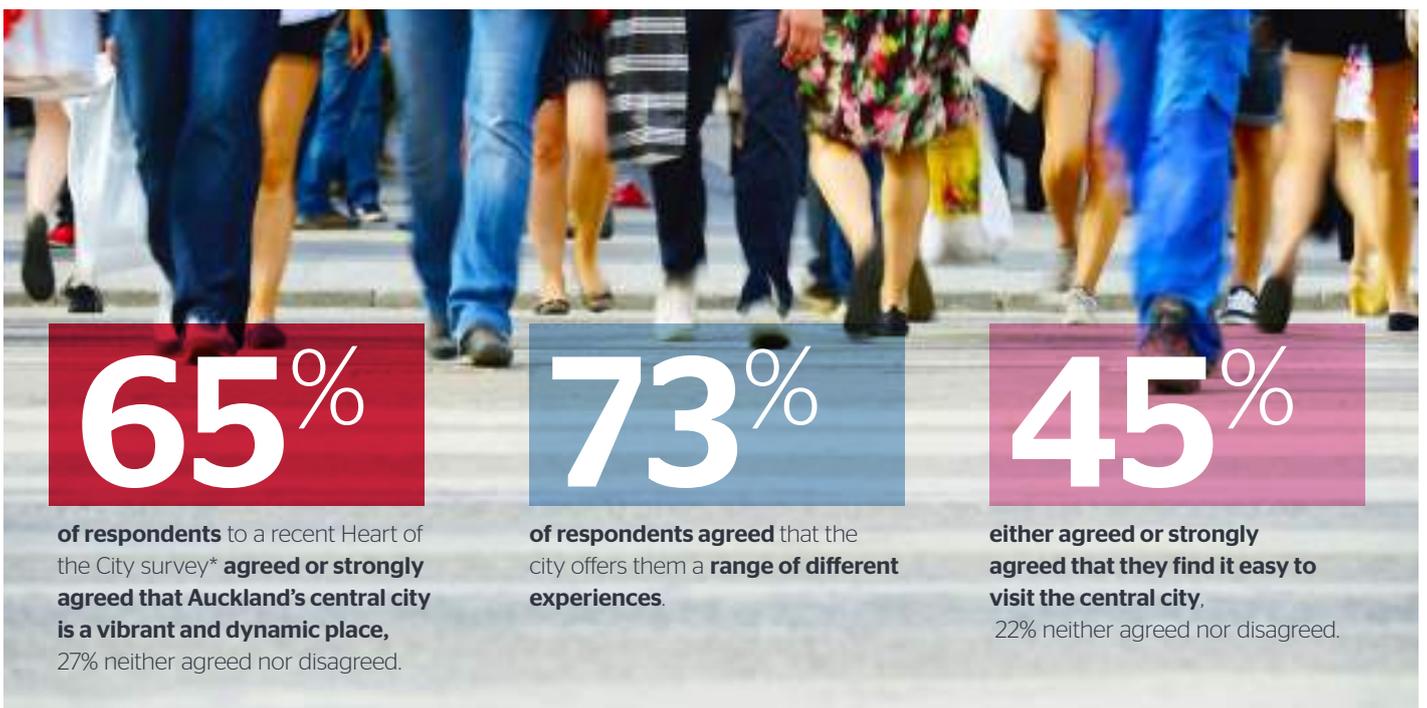
2.5% **Retail**
Vs a 20 year average of 4.8%*

*Source: Colliers International (2015 figures)

Perceptions of the city centre

These perceptions below highlight a need to continue to tell the story of the city centre to more people - and promote the city centre as a place that is vibrant and dynamic. There is also an ongoing priority to advocate for improved access into the city centre.

*Heart of the City Annual Survey, Buzz Channel, September 2015





HEART OF THE CITY

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Contents

	Page
Business Directory	2
Auditors Report	3
Statement of Financial Performance	5
Statement of Movements in Equity	8
Statement of Financial Position	9
Notes to the Financial Statements	10

Business directory

Chair:	Terry Gould
Deputy Chair:	Jason Copus
Treasurer:	Jason Copus
Board Members:	Gary Langsford Chris Cherry Paddy Stafford-Bush Shane McMahon Sarah Hull Regan Hall
Local Board Representatives:	Shale Chambers
Associate Members Appointed to the Board in a Non-Voting Capacity:	Denise L'Estrange-Corbet Andrew Stringer
Nature of Business:	Promotes Inner City Business
Registered Office:	Level 2, 26 Lorne Street Auckland
Bankers:	ASB Bank Limited 138-142 Queen Street Auckland
Solicitors:	Buddle Findlay PricewaterhouseCoopers Tower 188 Quay Street Auckland Russell McVeagh Vero Centre Level 25, 48 Shortland Street Auckland
Auditors:	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland
Accountants:	Grant Thornton New Zealand Ltd Level 4, Grant Thornton House 152 Fanshawe Street Auckland



RSM Hayes Audit

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www.rsmnz.co.nz

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEART OF THE CITY INCORPORATED

We have audited the financial statements of Heart of the City Incorporated on pages 5 to 14, which comprise the statement of financial position as at 30 June 2015 and the statement of financial performance, and statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the members, as a body, in accordance with the rules of Heart of the City Incorporated. Our audit has been undertaken so that we might state to the members those matters 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 members as a body, for our work, for this report, or for the opinions we have formed.

Board's Responsibility for the Financial Statements

The board of Heart of the City Incorporated is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and applicable Statements of Standard Accounting Practice and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand).

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Heart of the City Incorporated.

Basis for Qualified Opinion on Financial Performance

The 2014 audit opinion was qualified by the previous auditors due to uncertainty surrounding the quantification of the extent of fraudulent activity.

Given the circumstances, the previous auditors were unable to determine whether further adjustments and reclassifications to the statement of financial performance were necessary for the year ended 30 June 2014. Our opinion on the current period's statement of financial performance is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Hayes Audit is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

Qualified Opinion on Financial Performance

In our opinion, except for the possible effects on the corresponding 2014 figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 5 to 14 present fairly, in all material respects, the financial performance of Heart of the City Incorporated for the year ended 30 June 2015 in accordance with Financial Reporting Standards and applicable Statements of Standard Accounting Practice.

Opinion on Financial Position

In our opinion, the financial statements on pages 5 to 14 present fairly, in all material respects, the Statement of Financial Position of Heart of the City Incorporated as at 30 June 2015.

Other Matter

The financial statements of Heart of the City Incorporated for the year ended 30 June 2014 were audited by another audit firm who expressed their qualified opinion dated 20 May 2015. Their qualification in respect of financial performance on the 2014 financial statements was for the reasons noted in the Basis for Qualified Opinion above.

**RSM Hayes Audit**

29 October 2015

Auckland

Statement of financial performance for the year ended 30 June 2015

	Note	2015	2014
		\$	\$
Income			
Auckland City Contributions		4,322,839	4,269,853
Event and Sundry Income		-	22,167
Big Little City Campaign Funding		673,734	595,966
		<u>4,996,573</u>	<u>4,887,986</u>
Investment and Other Income			
Net Dividend Received		1,005	990
Interest Received		7,175	1,846
Other Income	11	429,484	-
Profit on Sale of Fixed Assets		-	15,386
		<u>437,664</u>	<u>18,222</u>
Total Income	1	5,434,237	4,906,208

The accompanying notes form part of these financial statements.

Statement of financial performance for the year ended 30 June 2015

	Note	2015	2014
		\$	\$
Expenses			
ACC Levy		4,453	5,095
Accountancy Fees		14,039	27,660
Advocacy		239,134	270,671
AGM Expenses		1,818	785
Ambassadors		216,561	238,721
Amortisation of Intangible Assets	7	117,354	30,790
Audit Fees – Grant Thornton New Zealand Audit		10,866	14,285
Audit Fees – RSM Hayes Audit		14,500	-
Bank Fees		1,248	287
Committee Expenses		1,150	1,325
Committee Wages		450	14,846
Community Donations		-	1,200
Computer/Phone Maintenance		20,273	26,739
Contractor Expenses		254,472	286,911
Depreciation	6	94,304	104,578
Education/Seminars		-	370
Events, Sponsorship & Advertising	8	1,910,018	3,306,660
Forensic Accounting and Legal Expenses	12	401,861	-
Forgiveness of Loan	10	4,400	4,400
General Expenses		15,525	36,505
Insurance		17,203	42,466
Interest		73	22
Legal Fees		11,408	13,251
Loss on Sale of Fixed Assets		9,830	-
Membership Communication		20,122	7,821
Office Services		24,823	28,973
Parking (Staff)		4,835	6,259
Payroll Processing		2,756	3,389
Pedicabs		-	7,091
Penalties		-	323
Power		2,996	3,965
Printing, Postage & Stationery		11,927	19,149
Prior Period Assets Written Down	2	48,879	-
Recruitment Expense		84,013	-
Rent & OPEX		118,162	106,417
Salary and Wages		736,939	903,821
Security		55,306	121,012

The accompanying notes form part of these financial statements.

Statement of financial performance for the year ended 30 June 2015

	Note	2015	2014
		\$	\$
Expenses (continued)			
Telephone/Internet		13,254	15,938
Website Management		21,780	25,610
Where Next App Operational Expenses		122,350	-
Total Expenses		<u>4,629,082</u>	<u>5,677,334</u>
Net Surplus (Deficit)		<u>805,155</u>	<u>(771,126)</u>

The accompanying notes form part of these financial statements.

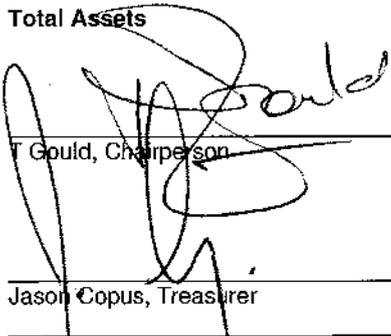
Statement of movements in equity for the year ended 30 June 2015

	2015	2014
	\$	\$
Equity at 1 July	68,123	839,249
Net Surplus/(Deficit) for the Year	805,155	(771,126)
Total Equity at 30 June	<u>873,278</u>	<u>68,123</u>

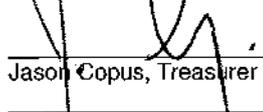
The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2015

	Note	2015	2014
		\$	\$
Equity			
Retained Earnings		873,278	68,123
Current Liabilities			
Accounts Payable		264,173	640,488
Income Received in Advance		223,333	142,372
		<u>487,506</u>	<u>782,860</u>
Total Equity & Liabilities		<u>1,360,784</u>	<u>850,983</u>
Current Assets			
Cash & Cash Equivalents		408,835	41,919
Short Term Deposits		319,613	57,901
Other Receivables		59,542	107,597
Settlement Receivables	14	115,000	-
Accounts Receivable		54,191	80,210
Ferry Building Suspensory Loan - Current	10	4,400	4,400
		<u>961,581</u>	<u>292,026</u>
Non Current Assets			
Property, Plant and Equipment		186,839	330,367
Capital Work in Progress		10,000	-
	2	<u>196,839</u>	<u>330,367</u>
Investments			
Ferry Building Suspensory Loan – Non Current	10	30,800	35,200
Intangible Assets			
Website		134,012	193,390
Trademarks		5,125	-
Intangible Work in Progress		32,427	-
	7	<u>171,564</u>	<u>193,390</u>
		<u>399,203</u>	<u>558,957</u>
Total Assets		<u>1,360,784</u>	<u>850,983</u>


T. Gould, Chairperson

29/10/15
Date


Jason Copus, Treasurer

29/10/2015
Date

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2015

1 Statement of Accounting Policies

These are the financial statements of Heart of the City Incorporated. Heart of the City Incorporated is an Incorporated Society established under the Incorporated Societies Act 1908. The financial statements have been prepared in accordance with generally accepted accounting practice.

The Society has chosen not to adopt the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). The decision not to adopt is consistent with exemption provided by External Reporting Board ("XRB") A1. XRB A1 provides a choice to certain qualifying entities to either adopt NZ IFRS or to continue to apply New Zealand Financial Reporting Standards ("NZ FRS"). The Society is a qualifying entity on the basis that it is not considered large (less than \$20m revenue and \$10m total assets).

Heart of the City Incorporated has adopted all available differential reporting exemptions.

Measurement System

The measurement system adopted is that of historical cost.

Particular Accounting Policies

The following is a summary of the significant accounting policies adopted by Heart of the City Incorporated in the preparation of these financial statements.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation.

Depreciation is recognised in the Statement of financial performance to write off the cost of an item of property, plant & equipment, less any residual value, over its expected useful life, at the rates listed below.

Gains and losses on disposal of property, plant and equipment are taken into account in determining the financial performance for the year.

	Rate	Method
Office Equipment	16% - 67%	DV
Computer Equipment	16% - 60%	DV
Fittings and Furniture	11.4% - 30%	DV
Promotional Assets	10% - 48%	DV

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Operating Leases

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged as an expense in the periods in which they are incurred.

Accounts Receivable

Accounts receivable are valued at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

Investments

Investments are stated at cost.

Notes to the financial statements for the year ended 30 June 2015

Goods and Services Tax

Financial information in these accounts is recorded exclusive of GST with the exception of receivables and payables, which include GST. GST payable or receivable at balance date is included in the appropriate category in the Statement of Financial Position.

Intangibles

The website and app are accounted for using the cost model whereby capitalised costs are amortised on a diminishing value basis over their estimated useful life, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset which it relates. Other expenditure is recognised in profit or loss when incurred.

The trademarks are recognised at cost and are not amortised as they are not considered to have a finite useful life.

	Rate	Method
Website/Where Next App	50%	DV

Accounts Payable

Trade and other payables represent liabilities for goods and services provided to Heart of the City Incorporated prior to the end of the financial year which are unpaid. The amounts are unsecured.

Cash and Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue

Revenue shown in the Statement of Financial Performance comprises the amounts received and receivable by way of grants and sponsorship.

Investment Income

Interest is accounted for as earned.

Income Received in Advance

Income received in advance relates to campaign income received where there are unfulfilled obligations for Heart of the City Incorporated to provide services in the future. These are recorded as revenue as the obligations are fulfilled.

Tax

From 1 July 1999 the entity was exempt from income tax under section CW 40(1) of the Income Tax Act 2007.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year. The Financial Reporting Act 2013 ("FRA 2013") applies to any reporting periods beginning on or after 1 April 2014 and entities can no longer report under NZ FRS for accounting periods beginning on or after 1 April 2015. As Heart of the City Incorporated does not have a statutory obligation to prepare general purpose financial statements, it has the option to either elect to prepare Special Purpose Financial Statements or General Purpose Financial Statements. As at the date the financial statements were approved for issue, management has not made any decision as to which approach it will take.

Notes to the financial statements for the year ended 30 June 2015

2 Property Plant and Equipment

Year Ended 30 June 2015	Cost \$	Accum Depn \$	Book Value \$
Office Equipment	18,300	11,917	6,383
Computer Equipment	52,178	37,826	14,352
Office Fittings & Furniture	122,582	74,161	48,421
Promotional Assets	523,387	405,705	117,682
	<u>716,448</u>	<u>529,609</u>	<u>186,839</u>
Capital Work in Progress – MFP Banners	10,000	-	10,000
	<u>726,448</u>	<u>529,609</u>	<u>196,839</u>
Year Ended 30 June 2014			
Office Equipment	31,168	22,362	8,806
Computer Equipment	67,450	51,975	15,475
Office Fittings & Furniture	130,288	73,812	56,476
Promotional Assets	999,781	750,170	249,611
	<u>1,228,687</u>	<u>898,320</u>	<u>330,367</u>

A review was undertaken of the asset schedule during the year which resulted in impairment or additional depreciation adjustments to some assets, primarily of a promotional nature. The net effect of these changes has been recorded in the Statement of Financial Performance as Prior Period Assets Written Down.

3 Related Parties

The society has conducted transactions with related parties as follows:

Party	Relationship	Transaction
Gary Langsford	Board Member	Landlord (Part Owner), Funding paid to related party
Sarah Hull	Board Member	Funding paid to related party, Partnership fee received from related party
Denise L'Estrange-Corbet	Board Member	Honorarium
John Courtney	Former Board Member	Partnership fee received from related party
Alex Swney	Chief Executive	Contractor Services - Provided via AGS Services Limited

Total rent paid to the 26 Lorne Street Limited where Gary Langsford (Board Member) is a part owner was \$118,612 (2014: \$106,417). Gary Langsford was also a board member of NZ Contemporary Arts Trust which received \$23,000 for Art Week from Heart of the City Incorporated during the year.

Notes to the financial statements for the year ended 30 June 2015

3 Related Parties (continued)

Sarah Hull is an employee of Britomart Association Company which paid a partnership fee of \$25,000 during the year. Britomart Association Company also paid \$1,100 to Heart of the City Incorporated for the production of an installation related to the Winter Campaign. This amount was outstanding as at 30 June 2015.

Alex Swney was dismissed from Heart of the City Incorporated as at 2 October 2014. He was subsequently convicted for misappropriation of funds from Heart of the City Incorporated.

No related party debts have been written off or forgiven during the year (2014: \$Nil).

4 Contingent Liabilities

There are no contingent liabilities at year end (2014: \$Nil).

5 Capital Commitments

There are no capital commitments at year end (2014: \$Nil).

6 Operating Expenses include the following:

	2015	2014
	\$	\$
Depreciation Office Equipment	1,707	2,532
Depreciation Computer Equipment	8,755	13,129
Depreciation Office Fittings & Furniture	8,481	9,943
Depreciation Promotional Assets	75,361	78,974
	<u>94,304</u>	<u>104,578</u>

7 Intangible Assets

	2015	2014
	\$	\$
Website and Where Next App at Cost	542,137	493,494
Less Accumulated Amortisation	<u>(408,125)</u>	<u>(300,104)</u>
Website and Where Next App	134,021	193,390
Trademarks	5,125	-
Where Next App Work in Progress	<u>32,427</u>	<u>-</u>
	<u>171,564</u>	<u>193,390</u>

Amortisation of Intangible Assets relates to the Website, Where Next App, and related assets. The significant increase is due to the assets brought into the register in 2014 and 2015 which total \$221,909 and were amortised at 50% from 1 July 2014. Of the total amortisation \$102,625 relates to these assets.

8 Events, Sponsorship and Advertising

Expenditure cuts were made to these areas given the need to manage costs prudently while the fraud was investigated.

Notes to the financial statements for the year ended 30 June 2015

9 Lease Commitments

Lease commitments from non-cancellable operating leases at balance date are:

	2015	2014
	\$	\$
Current	111,372	198,948
Non-Current	67,217	513,951
	<u>178,589</u>	<u>712,899</u>

10 Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$35,200. This loan is being forgiven in ten equal instalments of \$4,400 upon each anniversary of the initial payment. If the Ferry Building Partnership for any reason is not able to meet the terms of the agreement, the remaining loan balance will be payable to Heart of the City Incorporated.

11 Other Income

	2015	2014
	\$	\$
Insurance Claims	55,568	-
Recovery of Misappropriated Funds	373,916	-
	<u>429,484</u>	<u>-</u>

12 Forensic Accounting and Legal Expenses

Forensic work has been carried out by McGrathNicol and Russell McVeagh in relation to the ongoing proceedings against the former CEO.

13 Potential Fraud In 2015 Financial Year

As part of the investigation carried out, McGrathNicol identified potentially fraudulent payments for the year ended 30 June 2015 which total approximately \$96,000.

14 Events After Balance Date and Contingent Assets

Legal Proceedings

Prior to year end, Heart of the City Incorporated launched civil proceedings against its former Chief Executive as a result of an investigation into his actions by an independent forensic accountant. This included claims against two trusts which were alleged to have received Heart of the City Incorporated funds taken improperly by its former Chief Executive Alex Swney. As at 30 June 2015, \$258,916 had been received and a further \$115,000 was due at that date in respect of these claims, which was subsequently received.

In addition, a contingent asset existed at balance date relating to claims that had not yet been settled, with an uncertain amount of recovery. Subsequent to balance date Heart of the City Incorporated reached a final settlement in respect of its claims against these trusts and a further \$326,000 was recovered from the trusts, which will be recorded as income in the subsequent financial year.

As at the date the financial statements were authorised for issue further civil proceedings were ongoing.



**HEART OF THE CITY
Special General Meeting
Wed 17 June 2015**

26 Lorne St
Level 1
Auckland

Minutes

The Chairman Terry Gould declared the meeting open at 5.30pm

1. Apologies

Apologies were received from Shale Chambers, Regan Hall, Denise L'Estrange-Corbet, Gary Langsford and Sarah Hull.

Terry Gould put the motion that these apologies be accepted.

- Motion seconded by Jason Copus
- Motion carried unanimously

2. Chairman's Report

The Chairman's Report was presented by Terry Gould. (ref Appendix 1).

3. Financial Report

Jason Copus, Treasurer, spoke to the meeting regarding the audited accounts for the year ending 30th June 2014.

Terry Gould put the motion that the audited Financial Statements and Annual Report for the Year Ended 30 June 2014 accounts be approved.

- Motion seconded by Shane McMahon
- Motion carried unanimously

Meeting was declared closed at 5:43pm

Appendix 1

HEART OF THE CITY - SPECIAL GENERAL MEETING – WED 17 JUNE 2015

CHAIR UPDATE

This Special General Meeting has been called with the specific purpose of approving HOTC's audited accounts for the year ending 30 June 2014. However, as we have been through a tumultuous period in recent months as Alex Swney's criminal proceedings continue, this meeting also provides a timely opportunity to briefly update members on HOTC activities this year.

Since October's AGM, former CEO Alex Swney pleaded guilty in January this year to \$1.7million of tax evasion charges brought by IRD and in April pleaded guilty to Serious Fraud Office charges relating to the theft of \$2.5 million from Heart of the City.

I know our members, along with the Executive Committee, have been shocked by the quantum of the misappropriation, and what appears to have been a systematic, calculated and very deliberate deceit over the last decade.

Mr Swney's sentencing on the much-publicised charges brought by the IRD and the SFO is scheduled for later this month (24 June).

However, Heart of the City's civil action against Mr Swney and his related entities continues. Our aim is to recover as much of the stolen money as possible. This action has included placing freezing orders over assets owned by a range of associated parties. The civil action is complex, and is expected to take some time. Realistically, it is highly unlikely that the full amount of the stolen money will be recovered.

IMPROVED PROCESSES

Since these issues came to light, the Executive Committee has instituted reviews of internal systems and controls. This process has been led by our interim (and independent) Chief Executive David Wright.

Under the circumstances you will understand we have naturally become very focused on governance and controls, and I can assure you that the Executive Committee has learnt a great deal from this experience. As a result we have implemented some prudent changes to a number of internal procedures, in particular around procurement and payments and we are satisfied that these now reflect appropriate controls for this type of organisation.

In order to provide additional objectivity, from 1 July, an independent accountancy provider will further support our internal team with preparation of monthly management accounts and subsequent reporting to the Executive Committee.

We have also run a competitive tender process for the supply of audit services for 2015 and I'm pleased to announce that we have appointed RSM Hayes Audit to that role. RSM Hayes is a highly respected specialist audit practice which has considerable experience with audits for this type of organisation. As an additional measure, we will be expanding the scope of the annual audit to include one or more randomly-timed forensic investigations designed to specifically test for potential irregularities in our financial procedures.

* These Minutes will be accepted as a true record if no variations are received within 48 hours of distribution

HOTC BUSINESS

There is no denying that the recent extraordinary events have been an unwelcome distraction which have unfortunately involved considerable additional unbudgeted costs.

Since October last year, the Executive Committee has had to take a prudent approach to operational spending and as a result, HOTC funding for some events and activities had to be suspended in this past financial year. I believe we have now navigated through these difficulties to a position where we can report a stable financial position and are able to consider reinstatement of some of our previously suspended event support and sponsorship.

Throughout this challenging period we have also been greatly encouraged by our own partners, sponsors and the Auckland Council who have remained confident in the value we offer to the central Auckland economy. I'm pleased to report that our partners and sponsors have not only continued their support for Heart of the City, but in several cases have increased their commitment to our programmes into the future.

We have an amazing team of 12 staff who are committed, and dedicated to meeting the needs of you, our members. I'm sure you can imagine the challenges they've been through in the past several months as these allegations unfolded. As a Board, we have worked hard to stand beside our team, and to ensure the continuity of service they provide to members, and to Auckland's CBD. We are extremely proud of the HOTC team.

In recent months also, they have continued to deliver positive benefits for members:

- Web and social media channels are experiencing continued strong growth (testament to the in-house resources assigned to these areas).
- Visits to our website are up 48% in the first 5 months of this year driven largely by the content written and moderated by the HOTC team.
- Our winter campaign is about to launch with the HOTC "Heartmarks" campaign through Instagram and the ever popular Restaurant Month kicks off in August.
- Planning is well under way for our Christmas campaign as are events and campaigns for the first half of 2106.
- More investment is planned for the CityWatch and StoreWatch programmes in recognition of the importance of safety in the City.
- As the dialogue around the Ports of Auckland continues, HOTC will be involved in the long awaited Port Future Study.

PERMANENT CHIEF EXECUTIVE APPOINTMENT

We are very much looking forward to our new Chief Executive, Viv Beck taking up her role on 6th July.

Viv comes to HOTC armed with a wealth of business experience across a range of government, not-for-profit and private enterprises. She has the skills and understanding to advocate strongly on behalf of our members as the city centre continues to grow as a vibrant place to live, visit and do business. She has made it very clear that her first priority is to get out and meet our members to ensure their views are reflected in HOTC's ongoing plans.

CONCLUSION

The Executive Committee, together with the HOTC management team, recently finalised our annual plan for the 2015/16 year, and associated budgets have been approved. This was an important process for all of us to move on from the challenges of the past year; to focus on our membership and how we can improve our services to you over the coming months and years.

We've been through an extremely challenging period. We have work still to do to recover funds through the Civil Action but, importantly, we've learnt from our experience. There are robust internal processes in place to address any similar risks in the future, our financial position is sound, our new CEO begins next week, and there are exciting plans unfolding.

ENDS



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