

CHAIR OF THE FINANCE COMMITTEE'S ANNUAL REPORT

The financial statements of BNH are audited and briefly summarised in our 2021 annual report. We typically keep this information to a minimum in the annual report as while important, the detail is of limited interest to the majority of our members. For those that wish to delve a little deeper into the financial performance of BNH we have the finance committee's annual report in addition to the full audited accounts.

The process of setting the budget is somewhat unusual in that budgets for the following year are set at the AGM (which typically occurs in September or October) and those budgets are unable to be changed without calling an extra-ordinary special meeting. Budgeting by BNH commences prior to the conclusion of our financial year in June and so we find ourselves setting the June 2022/23 budget in July 2021. The rationale for this is under our BID Agreement with Auckland Council we are required to adhere with mandatory timelines, so Auckland Council in turn can appropriately budget their expenditure.

This is of course problematic in volatile economic operating environments such as that experienced with covid-19.

A factor which is not widely known is that levies to members are based on the number of commercial properties based in our BID. This is important as member fees directly correlate with the number of commercial properties in our BID. BNH applied for, and received from Auckland Council, \$690k in the targeted rate levy for 2021. There are 4,438 business and property owners within the BID, who therefore would contribute on average \$155 per annum for the services we provide. There is of course ongoing development within our BID and over the course of the year the number of businesses may grow. Growth of 1% in business numbers equates to a corresponding reduction in contributions which is why the amount members pay may vary year on year. It may also mean that should BNH ask for a levy increase it often comes at a reduced rate for individual members.

2021 has been a year in which Covid has dominated the economic environment and continues to be a significant challenge for our members. Whilst NZ was covid free in June 2020, Auckland was placed in three separate lockdowns for a total of 11 weeks of the financial year.

The implications of Covid had no impact on our core income as the NHBID targeted rate is committed by Council annually in advance. This income stream over the last 4 years has accounted for 78% of our total income.

	ACT	ACT	ACT	ACT	BUD	VAR	%
	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	Budget	Var NZD	Var %
Income							
Core Income	658.9	695.4	697.6	692.1	693.0	-0.9	-0.1%
Comms	111.9	119.9	91.1	95.5	123.6	-28.1	-22.7%
Function & Events	42.0	34.0	60.2	45.3	82.0	-36.7	-44.8%
Investment in people	7.3	25.0	5.4	4.4	13.8	-9.4	-67.8%
Special Interest Groups	-0.1	0.8	0.9	1.2	8.0	-6.8	-85.3%
Crime Prevention & WMIF	4.5	5.0	35.7	9.7	14.3	-4.6	-32.0%
Transport	19.3	24.0	24.0	24.0	25.0	-1.0	-4.0%
TOTAL Income	843.8	904.1	914.9	872.2	959.7	-87.5	-9.1%

Comms is the next largest income stream (12%) which includes the likes of advertising (particularly for FYI Magazine), sponsorship and associated member subscriptions. This income stream at \$95.5k was well down on what was budgeted (\$123.6k) because businesses were cautious with their discretionary spending in uncertain economic conditions. The income received was very similar to last year and expected in light of ongoing lockdowns within Auckland.

Function & Events income accounts for just 5% of our revenue, however actual income at \$45.3k was well down on budgeted income of \$82k. This income generated from event sponsors, but also includes income derived from the Business Expo and One Day Sale. With several events disrupted and loss of sponsorship this was to be expected. We believe this also flowed through to the Expo and One Day Sale as income was \$34k against a budget of \$55k.

BNH has a few other income streams which are not material, however the combined effects meant that our total income for the year was \$87.5k below what was originally budgeted at \$872.2k. Interestingly this was a 5% decrease on total income in 2020.

The table below differs from the financial accounts in the annual report as it also breaks down the expenditure and the contribution of each activity stream. The finance committee has progressively introduced this over the last couple of years to get a better understanding of contribution by area. We can also now track profitability to an individual event level.

	ACT	ACT	ACT	ACT	BUD	VAR	%
	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	Budget	Var NZD	Var %
EXPENDITURE							
Comms expenses	95.5	97.2	104.2	97.5	95.9	1.6	1.6%
Function & Events	72.4	60.1	89.9	105.6	117.4	-11.8	-10.1%
Investment in people	41.5	84.3	21.6	30.5	60.2	-29.7	-49.4%
Special Interest Groups	4.5	4.8	2.5	10.9	15.5	-4.6	-29.7%
Crime prevention & WMIF	108.4	107.6	105.7	111.6	117.0	-5.4	-4.6%
Transport	100.6	29.6	27.4	23.1	23.0	0.1	0.5%
TOTAL Expenses	422.8	383.6	351.5	379.1	429.0	-49.9	-11.6%
Contribution							
Comms	16.4	22.7	-13.1	-2.0	27.7	-29.7	-107.2%
Function & Events	-30.5	-26.1	-29.7	-60.3	-35.4	-24.9	-70.4%
Investment in people	-34.2	-59.4	-16.2	-26.0	-46.4	20.4	43.9%
Special Interest Groups	-4.7	-4.0	-1.6	-9.7	-7.5	-2.2	-29.7%
Crime Prevention & WMIF	-103.8	-102.6	-70.0	-101.9	-102.7	0.8	0.8%
Transport	-81.2	-5.6	-3.4	0.9	2.0	-1.1	-54.6%
Total Contribution	-237.9	-174.9	-134.1	-199.0	-162.3	-36.7	-22.6%
Gross Profit	421.0	520.5	563.5	493.1	530.8	-37.6	-7.1%

Comms expenses was in line with budget and that is because the dominant expense is the quarterly production of FYI magazine where costs are relatively easily to accurately predict. With total costs of \$97.5k comms made a very small contribution loss of \$2k

Function and Event expenses were 10% under budget at \$105.6. The BNH team worked really hard to manage these costs. This was particularly pleasing as we successfully ran the Election Debate which attracted NZ's leading politicians and received wide national coverage as a result. The event, however, was expensive to put together, and cost \$28k to run, by far the most expensive single event we ran in 2021.

Events are a large component of our community engagement and the negative contribution of \$60.3k is considered acceptable as a result.

Investment in People is a term we use for events that we run which are specifically designed to improve the skill set of members to run, manage, and improve how they operate their business more effectively. Despite running a number of events, expenditure ran at 50% of budget at \$30.5k which was very pleasing. These events attract typically smaller numbers and thus it is easier to control expense associated with these events.

Special interest groups are segments of the BNH community we have identified as an area of focus to ensure we are actively engaging with. This includes our commercial property owners (of which there are 2043) and the Asian Business Community. Three events were run this year at a total cost of \$10k which was below budget. A small negative contribution arose as a result, however considered a very worthwhile investment for members.

Crime Prevention and Waste Management is not expected to provide income, although periodically we receive grants from Auckland Council related to waste management which is what the \$10k this year related to. Expenditure is significant in this category as BNH independently contracts Amourguard to patrol the BID for members outside business hours. This cost \$61k last year. Whilst the cost is significant, we know from member engagement surveys that this is also one of the main benefits that resonate with members.

Crime prevention also includes the salary of one of our employees who is incredibly active in engaging and educating the community and key stakeholders (including police) around crime prevention.

As these costs are essentially contracted the expenses came in exactly on budget.

Our final activity is Transport. Infrastructural issues around congestion, public transport options and a possible second Waitemata crossing remain ongoing issues for members and BNH is committed to remaining proactive in representation on Transport. We are very fortunate to have an employee who is an expert in this field. The majority of cost allocated is the proportion of time (25%) she is dedicated to this area. Periodically we received grants from Auckland Transport where they wish to utilise our expertise or work with our members in some capacity.

The net financial impact after these activity streams generates gross profit before operating expenses. The Gross profit this year was \$493.1k and 7.1% below budget. By comparison total income was down 9.1% and expenditure down 11.6% on budget.

	ACT	ACT	ACT	ACT	BUD	VAR	%
	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	Budget	Var NZD	Var %
Gross Profit	421.0	520.5	563.5	493.1	530.8	-37.6	-7.1%
Less Operating Expenses							
Advocacy & representation	10.8	178.4	181.2	183.5	188.3	-4.8	-2.6%
BID Management	243.1	148.1	195.7	280.6	276.7	3.9	1.4%
Office Expenses	127.0	137.9	150.1	154.3	171.4	-17.1	-10.0%
Total Operating Expenses	380.9	464.4	527.1	618.3	636.4	-18.0	-2.8%
Net Profit	40.1	56.1	36.4	-125.2	-105.6	-19.6	-18.6%

Operating expenses are broken down into three main categories:

Advocacy and Representation \$183.5k – this is the time allocation of the GM (75% of time) and a staff member (75%) to advocate on behalf of our members. BNH has built a formidable reputation and whilst this work is often 'sight unseen' it's the one area where BNH has influence our members could never replicate. We know from feedback given by key stakeholders that our voice is heard and respected. We have a particularly close working relationship with the Upper Harbour Local Board and collaborate on a number of initiatives. This will continue to remain an important focus for BNH. Expenditure this year is entirely in-line with that budgeted.

BID Management \$280.6k – this covers the balance of staff wages not otherwise allocated to a specific activity category and again relatively easy to budget.

Office expenses \$154.3k – This also came in at below the budget of \$171.4k despite several extraordinary events occurring within the financial year, namely

- Our ambassadors programme proved to be very successful and the decision was made to make these positions permanent in 2021. The fixed term contracts were replaced with formal employment contracts and unbudgeted legal expenses of \$4.3k were incurred as a result.
- BNH was forced to relocate during the year to new premises with the associated cost that entails, however we are thrilled with the new premises which has enough space for us to host events which will have positive flow on effects financially for us in the longer term. The rental remains unchanged for the first 3 years and then will move to market rate (additional \$6k) so increased expenditure is coming. This move cost approximately \$8k

BNH was also required to enter into a rental performance bond related to the commercial property, which has been secured by cash to fulfil our obligations under the terms of our lease.

Total Operating Expenditure was \$618.3k against the budget of \$636.4k, which was pleasing.

The net loss for the year was \$125.2k against a budgeted loss of \$105.6k. Overall, the board believes this to be a satisfactory result.

The final accounts show a slightly higher loss than indicated in this report at \$136.7k and the reason for that was essentially accrued annual leave which is evident in the statement of financial position.

Statement of Financial Position

Assets

Current Assets			
Bank Accounts and Cash	6	302,602	379,233
Trade Receivables		19,433	4,757
Prepayments		2,318	-
Interest Accrual		53	439
Goods and Services Tax		7,094	9,674
RWT Paid		-	21
Total Current Assets		331,500	394,125
Non-Current Assets			
Term Deposits	7	69,403	106,333
Property, Plant and Equipment	8	48,139	64,983
Intangible Assets	9	8,400	11,396
Total Non-Current Assets		125,942	182,712
Total Assets		457,442	576,837

BNH assets total \$457k. Of this, cash accounts for \$375k (81%), plant and equipment \$48k (11%) and debtors just \$19k (4%). There are no concerns with respect to any asset classes reported.

Our cash reserves have reduced from \$485k to \$375k over the last 12 months which is reflective of the loss experienced in the current financial year.

Our liabilities totaled \$259k, however this is a little misleading as \$196k of this is receipts in advance and of that \$181k relates to the early receipt of Auckland Councils payment of the targeted rate levy. This is typically paid several days prior to the quarters end, which creates a short term liability. This liability will be extinguished the day after balance date (1st July) when the funds become due. Sponsors prepayments make up the balance.

Liabilities requiring payment by BNH total just \$63k, made up predominantly of trade payables (all of which are current) and holiday pay accrual.

Liabilities

Current Liabilities			
Business Credit Cards		(689)	1,886
Trade Payables		21,909	37,070
Accruals and Provisions		4,900	4,900
Receipts In Advance	10	196,070	174,095
Wages and Holiday Pay Accrued		36,626	21,835
Hire Purchase Liability		962	2,611
Total Current Liabilities		259,779	242,397
Total Liabilities		259,779	242,397
Total Assets less Total Liabilities (Net Assets)		197,664	334,440
EQUITY			
Retained Earnings		197,664	334,440
Total EQUITY		197,664	334,440

Equity is reported at \$198k (43%), however the true position is much closer to \$379k or (83%).

Summary

If we were to summarise this year it would be that NZ businesses continued to be conservative with discretionary income, negatively impacting BNH income streams. Expenditure was proactively managed, and BNH responsibly managed event and operating expenses, both of which came in under budget.

Overall, the financial performance was not materially different from that budgeted, which is testament to the BNH team, and the importance they place on prudent financial management.

Thanks must also go to the finance committee for their contribution.

Finance Committee Treasurer.