

2022 FINANCE COMMITTEE ANNUAL REPORT

The financial statements of BNH are audited and briefly summarised in our 2022 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 2023/24 budget in July 2022. 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.

Many of you will be aware 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, \$725k in the targeted rate levy for 2022. There are 4,425 business and property owners within the BID, who therefore would contribute on average \$164 per annum for the services we provide. The number of commercial properties in the designated BID area vary year on year (and this information is provided to us based on Auckland Council records) which is why the amount members pay will vary year on year.

2022 has been a year in which Covid has continued to dominate the economic environment and continues to be a significant challenge for our members. On 17th August, Auckland moved to alert level 4, following a nationwide lockdown and did not return to level 2 until December, significantly impacting our members and the events BNH were able to hold.

BNH was very fortunate that 81% of its income is derived from Council via the levies paid by members and as such the financial impact of COVID was heavily muted.

	ACT 30 Jun 18	ACT 30 Jun 19	ACT 30 Jun 20	ACT 30 Jun 21	ACT 30 June 22	BUD Budget	VAR Var NZD	% Var %
Income								
Core Income	658.9	695.4	697.6	692.1	726.2	726.3	-0.1	0%
Comms	111.9	119.9	91.1	95.5	112.1	102.5	9.5	9%
Function & Events	42.0	34.0	60.2	45.3	16.7	72.0	-55.3	-77%
Investment in people	7.3	25.0	5.4	4.4	0.3	10.0	-9.7	-97%
Special Interest Groups	-0.1	0.8	0.9	1.2	1.2	7.0	-5.8	-83%
Crime Prevention & WMIF	4.5	5.0	35.7	9.7	4.9	2.5	2.4	98%
Transport	19.3	24.0	24.0	24.0	30.0	24.0	6.0	25%
TOTAL Income	843.8	904.1	914.9	872.2	891.2	944.3	-53.0	-6%

Revenue increased just 2.2% last year and is still well below 2019 levels despite the sizeable increase in core income.

Comms is the next largest income stream (13%) which includes the likes of advertising (particularly for FYI Magazine), sponsorship and Associate Member subscriptions. This income stream at \$112.1k exceeded the budget (\$102.5k) because businesses were optimistic at the beginning of the year and elected to become named Sponsors of BNH. This accounted for all of the unbudgeted revenue.

Function & Events income accounts for just 2% of our revenue at \$16.7k and was well down on the budget of \$72k and the prior years. This income is 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 \$10k against a budget of \$50k.

BNH has a few other income streams which are not material, although one highlight was the transport grant of \$30k secured from Auckland Transport, which will occur for the next 3 years.

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 introduced this to get a better understanding of contribution by area. We also track the profitability level of an individual event.

	ACT 30 Jun 18	ACT 30 Jun 19	ACT 30 Jun 20	ACT 30 Jun 21	ACT 30 June 22	BUD Budget	VAR Var NZD	% Var %
EXPENDITURE								
Comms expenses	95.5	97.2	104.2	97.5	87.9	90.5	-2.6	-3%
Function & Events	72.4	60.1	89.9	105.6	28.0	104.0	-75.9	-73%
Investment in people	41.5	84.3	21.6	30.5	7.8	23.1	-15.4	-66%
Special Interest Groups	4.5	4.8	2.5	10.9	0.7	11.0	-10.3	-93%
Crime prevention & WMIF	108.4	107.6	105.7	111.6	111.3	112.5	-1.2	-1%
Transport	100.6	29.6	27.4	23.1	23.6	20.8	2.8	13%
TOTAL Expenses	422.8	383.6	351.5	379.1	259.3	361.9	-102.6	-28%
Contribution								
Comms	16.4	22.7	-13.1	-2.0	24.2	12.0	12.1	101%
Function & Events	-30.5	-26.1	-29.7	-60.3	-11.4	-32.0	20.6	-64%
Investment in people	-34.2	-59.4	-16.2	-26.0	-7.5	-13.1	5.6	-43%
Special Interest Groups	-4.7	-4.0	-1.6	-9.7	0.4	-4.0	4.4	-111%
Crime Prevention & WMIF	-103.8	-102.6	-70.0	-101.9	-106.3	-110.0	3.7	-3%
Transport	-81.2	-5.6	-3.4	0.9	6.4	3.2	3.2	100%
Total Contribution	-237.9	-174.9	-134.1	-199.0	-94.2	-143.9	49.7	-35%
Gross Profit	421.0	520.5	563.5	493.1	631.9	582.4	49.6	9%

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 easy to accurately predict. With total costs of \$87.9k comms made a pleasing contribution of \$24k.

With very limited in person functions and events available to be held costs incurred were substantially less at just \$28k against a budget of \$104k. There was a move to hold virtual events where possible and these came at a significantly lower cost as a result (19 virtual events were held for our members).

Events are a large component of our community engagement and the negative contribution of \$11k is considered acceptable in light of the circumstances.

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. 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 2042) and the Asian Business Community. Unfortunately, we only had the opportunity to run one event for the Asian Business Community this year. Special Interest Groups is an area of focus for 2022.

Crime Prevention and Waste Management is not expected to provide income, although periodically we receive grants from Auckland Council or Upper Harbour Local Board related to waste management. Expenditure however is significant in this category as BNH independently contracted 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 resonates 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 almost 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. The grant received from Auckland Transport is provided as 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 \$631k well ahead of budget and prior financial years. This reflects a substantial reduction in expenses resulting from an inability hold events.

	ACT 30 Jun 18	ACT 30 Jun 19	ACT 30 Jun 20	ACT 30 Jun 21	ACT 30 June 22	BUD Budget	VAR Var NZD	% Var %
Gross Profit	421.0	520.5	563.5	493.1	631.9	582.4	49.6	9%
Less Operating Expenses								
Advocacy & representation	10.8	178.4	181.2	183.5	167.7	176.5	-8.8	-5%
BID Management	243.1	148.1	195.7	280.6	233.9	254.4	-20.5	-8%
Office Expenses	127.0	137.9	150.1	154.3	167.5	175.0	-7.5	-4%
Total Operating Expenses	380.9	464.4	527.1	618.3	569.1	605.9	-36.7	-6%
Net Profit	40.1	56.1	36.4	-125.2	62.8	-23.5	86.3	-368%

Operating expenses are broken down into three main categories:

Advocacy and Representation \$167.7k – 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. This will continue to remain an important focus for BNH.

BID Management \$233.9k – this covers the balance of staff wages not otherwise allocated to a specific activity category and again relatively easy to budget. The reason for the variation is we had staff absent without leave and or had staff leave accounting for the difference with the budgeted figure.

Office expenses \$167.7k – This also came in at below the budget of \$175k despite several extraordinary events occurring within the financial year, namely

- \$4k in bad debts written off
- \$6k in legal fees

Total Operating Expenditure was \$569k against the budget of \$605k, which was pleasing.

A net profit of \$63k resulted which goes some way to addressing the net loss of \$125.2k the prior year. Overall, the board believes this to be a satisfactory result.

The final accounts show a slightly lesser profit than indicated in this report at \$53k and the reason for that was essentially accrued annual leave which is evident in the statement of financial position.

Statement of Financial Position

Business North Harbour As at 30 June 2022

	NOTES	30 JUN 2022	30 JUN 2021
Assets			
Current Assets			
Bank Accounts and Cash	6	356,642	302,602
Trade Receivables		4,058	19,433
Prepayments		6,010	2,318
Interest Accrual		117	53
Goods and Services Tax		8,106	7,094
Total Current Assets		374,933	331,500
Non-Current Assets			
Term Deposits	7	69,403	69,403
Property, Plant and Equipment	8	44,991	48,139
Intangible Assets	9	5,520	8,400
Total Non-Current Assets		119,914	125,942
Total Assets		494,847	457,442

BNH assets total \$495k. Of this, cash accounts for \$426k (86%), plant and equipment \$45k (9%) and debtors just \$4k (1%). There are no concerns with respect to any asset classes reported.

Our cash reserves have increased from \$372k to \$426k over the last 12 months which is reflective of the profit experienced in the current financial year.

Liabilities

Current Liabilities		
Business Credit Cards	1,324	(689)
Trade Payables	21,329	21,909
Accruals and Provisions	4,900	4,900
Receipts In Advance	10	183,901
Wages and Holiday Pay Accrued	34,872	36,626
Hire Purchase Liability	2,715	962
Total Current Liabilities	249,043	264,724
Total Liabilities	249,043	264,724

Our liabilities totaled \$249k, however \$184k of this is receipts in advance relating 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.

Liabilities requiring payment by BNH total just \$65k, made up predominantly of trade payables (all of which are current) and holiday pay accruals.

EQUITY

Retained Earnings	245,804	192,719
Total EQUITY	245,804	192,719

Equity is reported at \$245k (50%), however the true position is much closer to 87% if the prepayment from Auckland Council is Included.

Summary

As a result of COVID, BNH was significantly impacted in its ability to run in person events. Whilst this materially impacted the organisation's operations and effectiveness, the financial implications were positive, as significant costs were saved in moving events online, which came at a substantially lower cost to the organisation.

When coupled with the surprisingly strong sponsorship contribution the organisation had a very pleasing financial result, generating a profit of some \$63k.

Thanks must again go to Kevin O'Leary and the finance committee for their contribution, but especially Kate Thorpe whose knowledge and hard work in preparation for the committee meetings is always exemplary.

Thanks
Finance Committee.