

HEART OF THE CITY™ AUCKLAND

YEAR IN REVIEW
OCT 2015 - SEPT 2016





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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.



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.



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

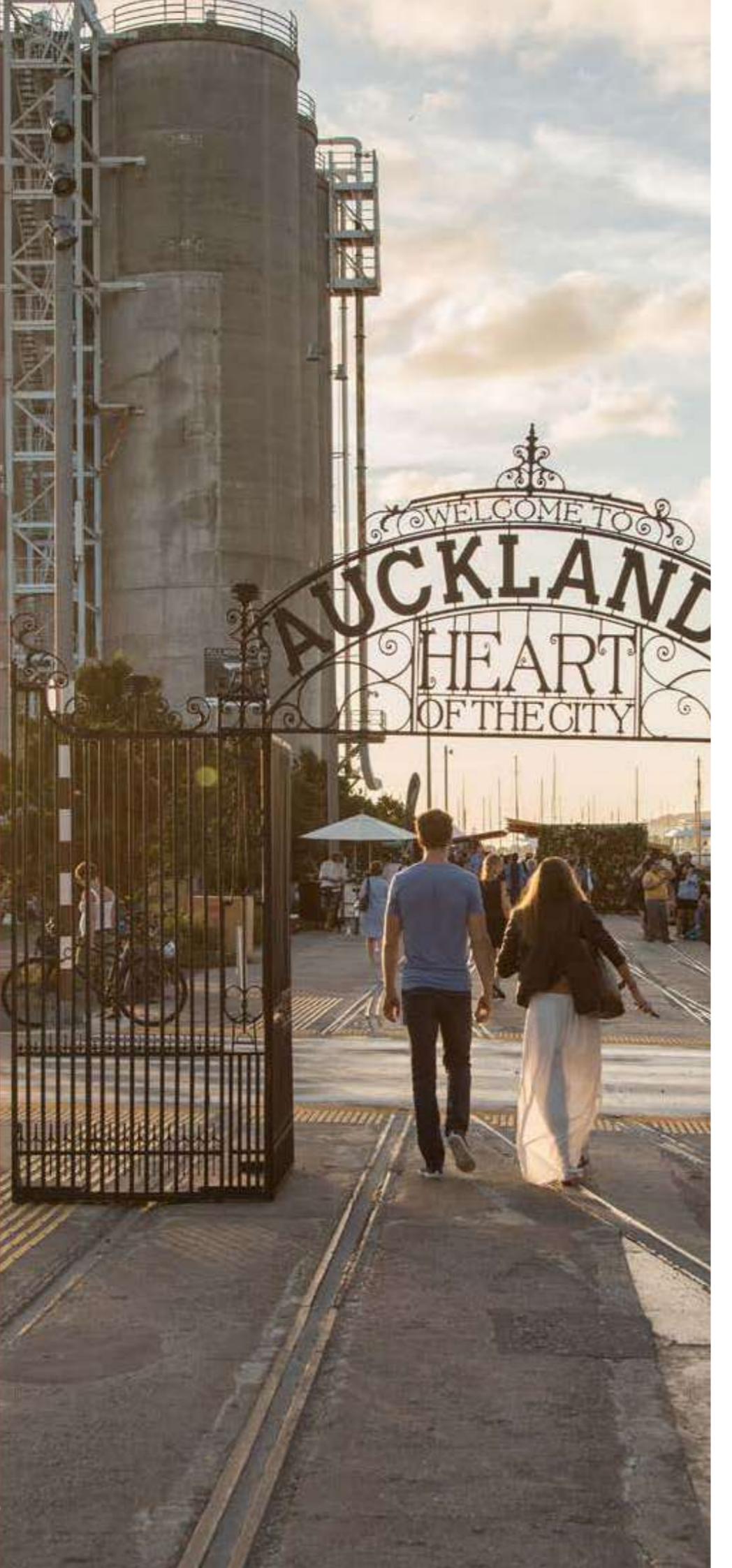
TANIA LOVERIDGE /

FIONA JOHNSTON

ADVOCACY AND ENGAGEMENT MANAGER

LOUELLA REID

COMMUNICATIONS EXECUTIVE



EXECUTIVE COMMITTEE



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



SHALE CHAMBERS
CHAIR, WAIITEMATA 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

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.

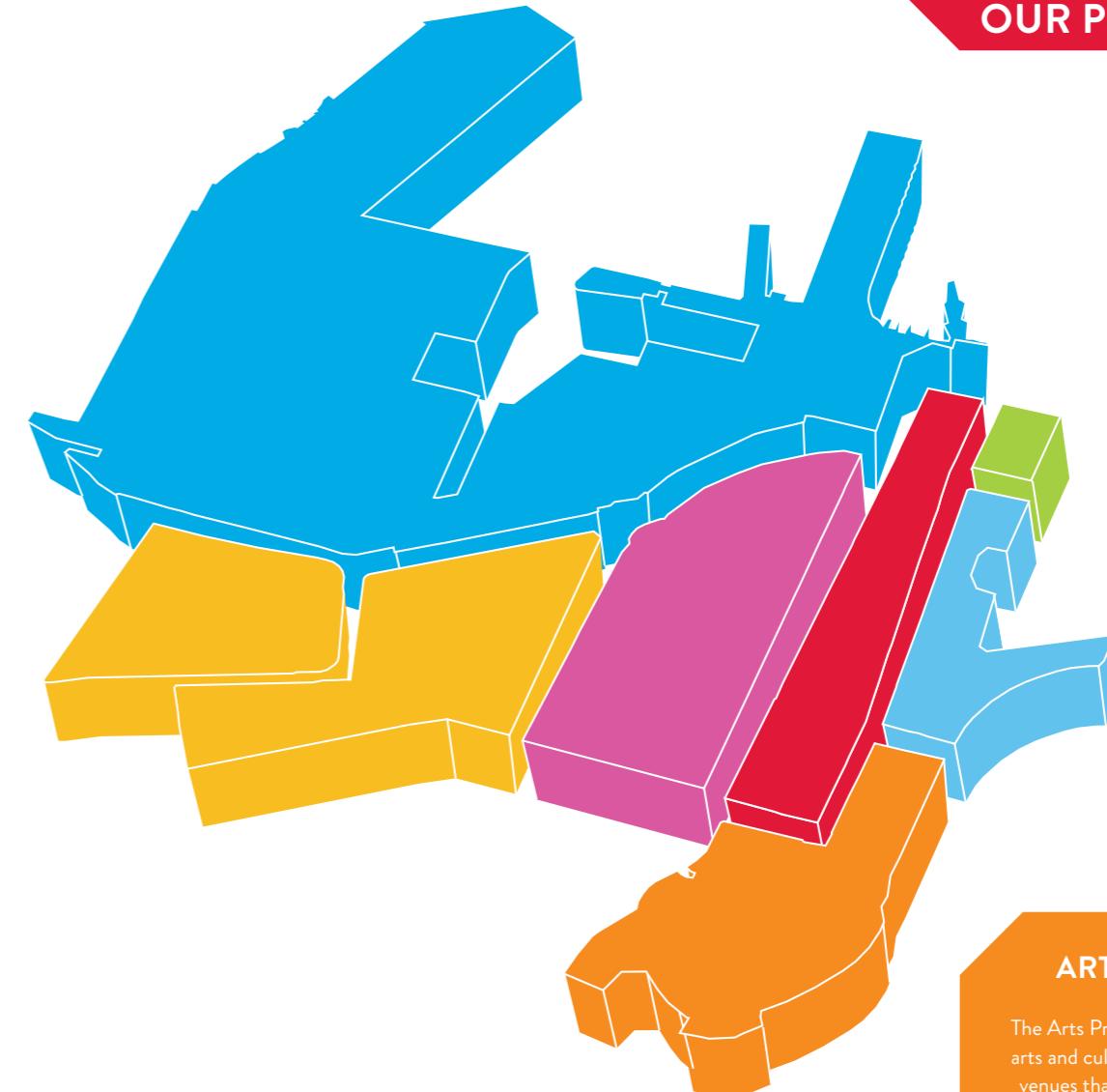
AT THE HEART OF IT: OUR MEMBERS

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 & Caughey'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.



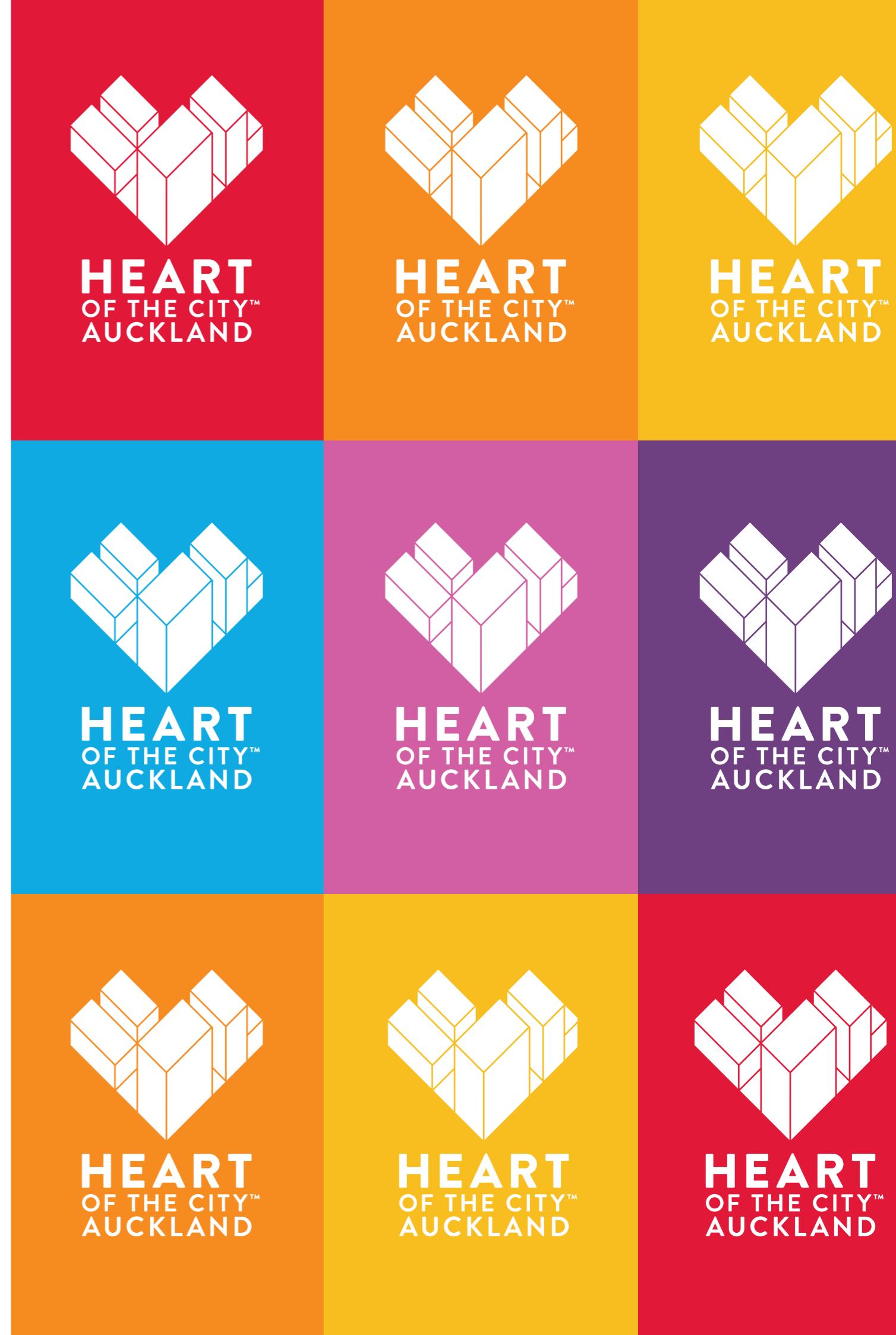
OUR BRAND COMES IN A SPECTRUM OF COLOURS TO REFLECT THE BREADTH OF EXPERIENCES AND AMBIENCE OF THE VARIOUS ENVIRONMENTS IN THE CITY CENTRE.

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.

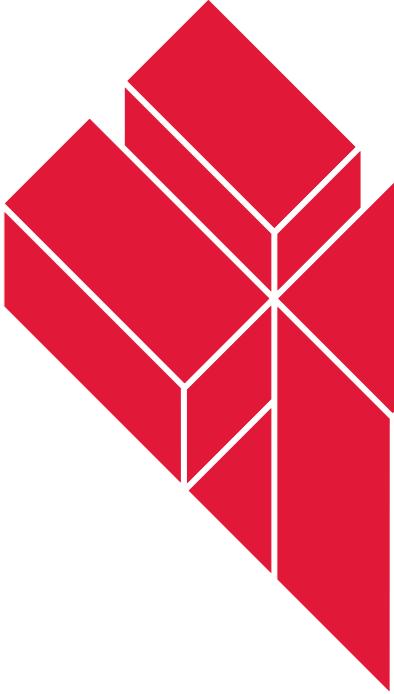
Recognised internally as the 'member-facing' and 'consumer-facing' functions, and well aware of their inextricable link, we have started to bring these strands closer together this year to create better leverage opportunities for members and the city centre.

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.





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.

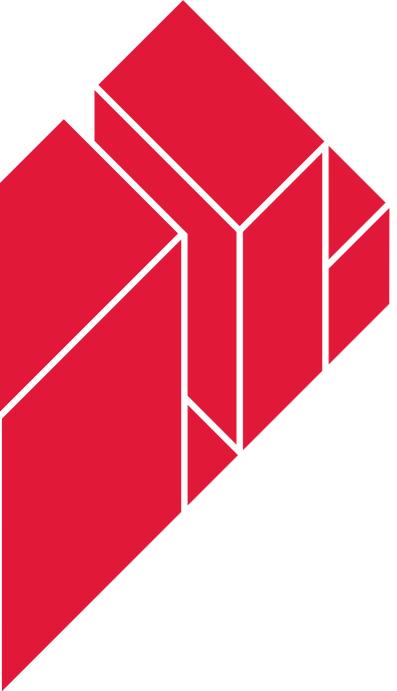
Targeted rate funding has been set aside to contribute to public realm works associated with both Albert Street (\$20m) and Lower Queen Street (\$10m).



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



32%
SEPT 2016

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

76%
SEPT 2016

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

85%
SEPT 2016

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

74%
SEPT 2016

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



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%

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
SEPT 2016

145k

TOTAL ANNUAL ENGAGEMENT*
OCT 2015 – SEPT 2016

772k

PEOPLE TALKING ABOUT US*
(COMMENTS, LIKES, SHARES)
OCT 2015 – SEPT 2016

262k

*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	PARTICIPANTS SPEND [†]	TOTAL HOTC SPEND [†]	VS SPEND IN COMPETITOR AREAS [†]
101	+6%	+8%	+3.6%
WEB VISITS	DURING THE EVENT (1-31 AUG)	DURING THE EVENT (1-31 AUG)	DURING THE EVENT (1-31 AUG)
+21%	+11%	+11%	+3.6%
PR MEDIA VALUE	DURING THE CAMPAIGN (1 JULY-31 AUG)	DURING THE CAMPAIGN (1 JULY-31 AUG)	
\$1.5M			

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



A wide-angle photograph of the Auckland city skyline at dusk or night. The sky is a deep blue. In the foreground, a marina filled with various boats and yachts is visible. The city's modern skyscrapers are illuminated, with lights reflecting off their glass facades. The Auckland Sky Tower stands prominently on the right side of the skyline. The overall atmosphere is vibrant and urban.

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 COMMERCIALLY RATED PROPERTIES

Auckland Council

91,854 WORKERS

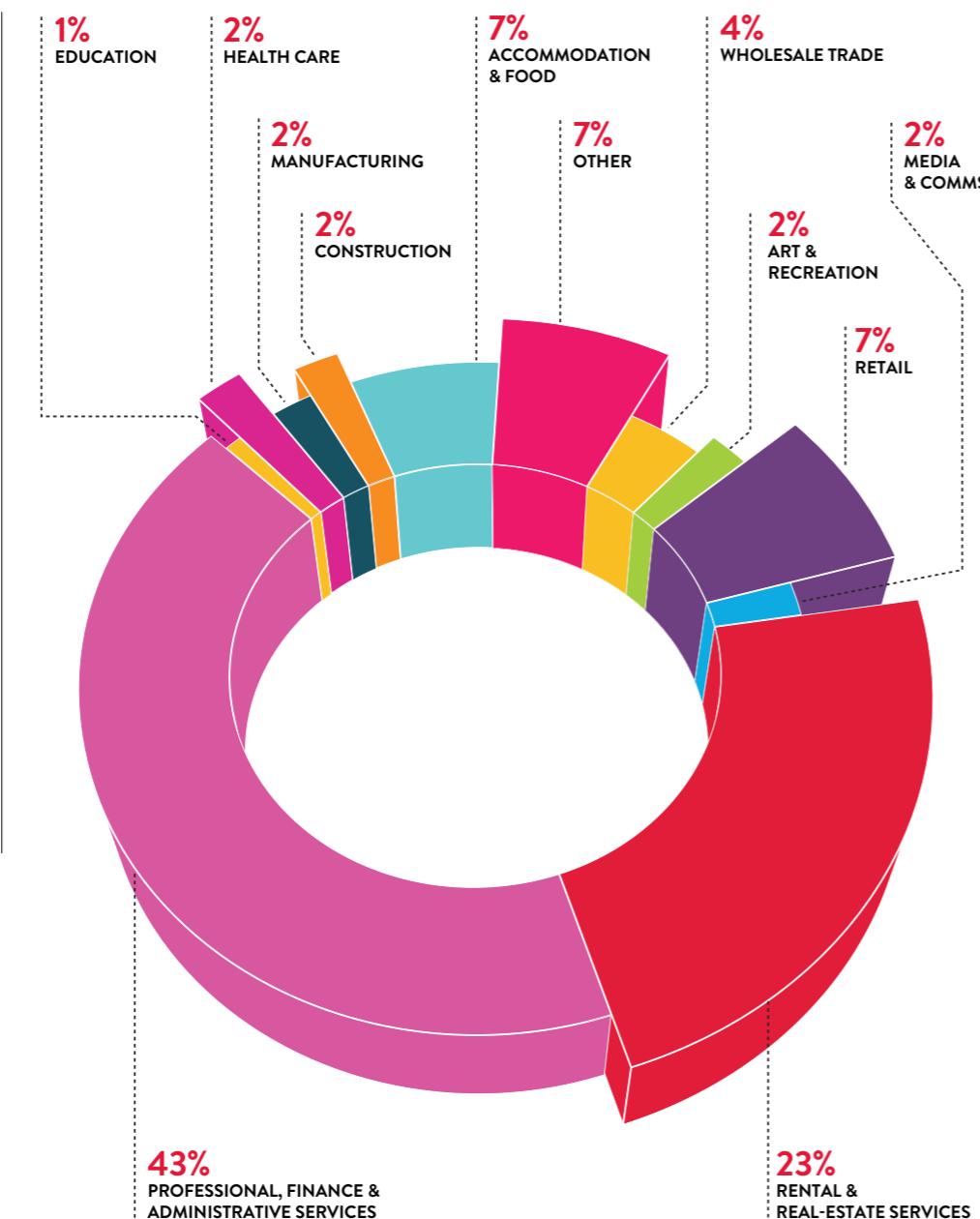
2014 Statistics New Zealand Business Demographics

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

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

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

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

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

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

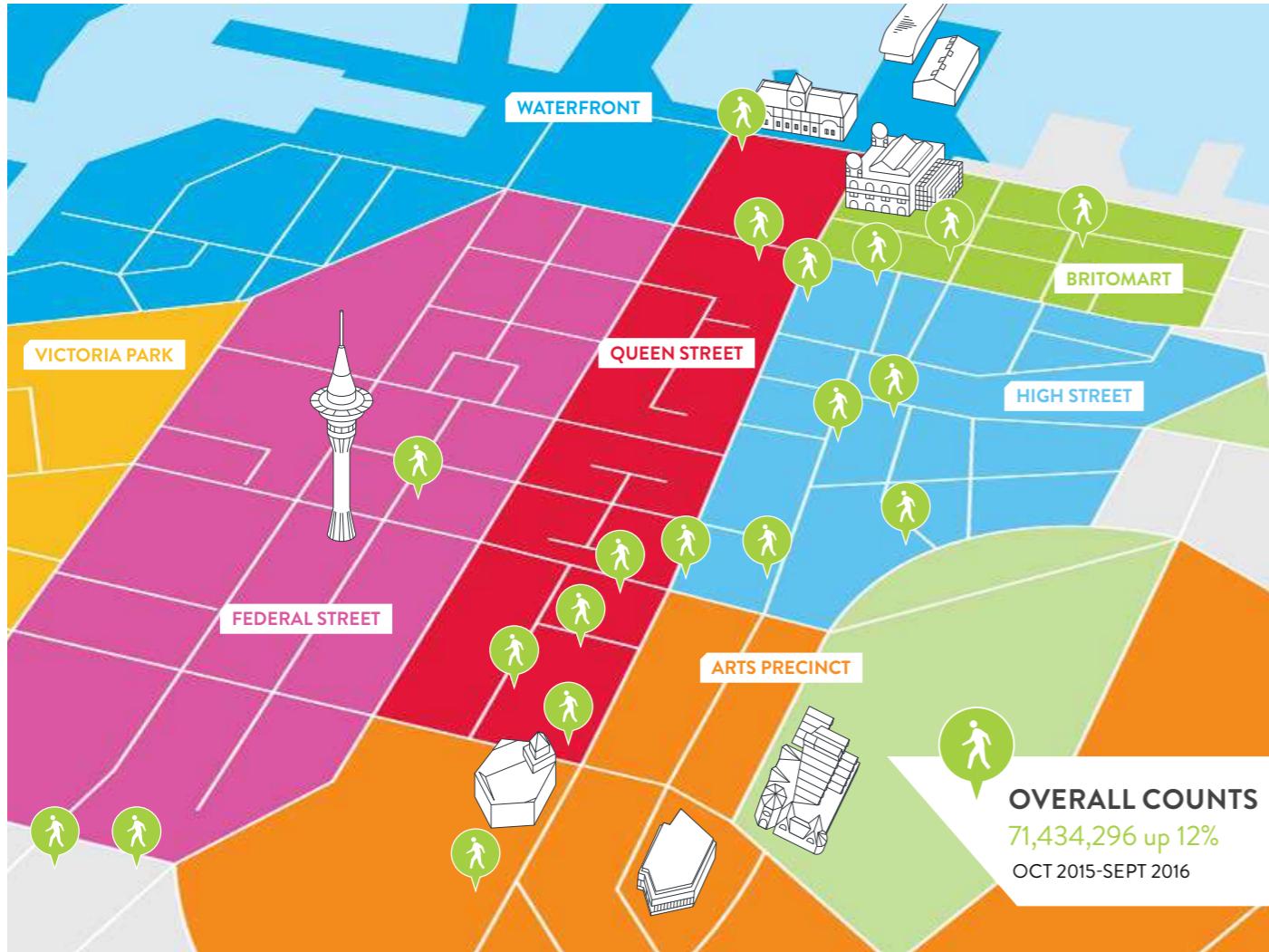
CBD RETAIL VACANCY

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.



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HEART OF THE CITY INCORPORATED

Business directory

Chair:	Terry Gould
Deputy Chair:	Jason Copus
Treasurer:	Jason Copus
Board Members:	Chris Cherry Paddy Stafford-Bush Shane McMahon Sarah Hull Regan Hall 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'Estrange-Corbet (to 29 October 2015) Andrew Stringer (to 29 October 2015)
Local Board Representatives:	Shale Chambers
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:	Russell McVeagh Level 30, Vero Centre 4B Shortland Street Auckland
	Buddle Findlay PWC Tower 188 Quay Street Auckland
Auditors:	RSM Hayes Audit Level 1, 1 Broadway Newmarket Auckland
Accountants:	Grant Thornton New Zealand Limited Level 4, Grant Thornton House 152 Fawshawe Street Auckland

RSM Hayes Audit

Newmarket, Auckland 1149
Level 1, 1 Broadway
Newmarket, Auckland 1023

+64 (9) 367 1656
www.rsmnz.co.nz

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.

A handwritten signature of the letters "RSM" in blue ink.

14 October 2016

HEART OF THE CITY INCORPORATED

**Statement of financial performance
for the year ended 30 June 2016**

	Note	This Year	Last Year
Income			
Auckland City Contributions		4,294,583	4,322,839
Destination Marketing Campaign Funding		705,986	673,734
		<hr/> <u>5,000,570</u>	<hr/> <u>4,996,573</u>
Investment and Other Income			
Dividend Received		1,035	1,005
Interest Received		35,116	7,175
Other Income	11	<hr/> <u>326,000</u>	<hr/> <u>429,484</u>
		<hr/> <u>362,151</u>	<hr/> <u>437,664</u>
Total Income		<hr/> 5,362,721	<hr/> 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		39,915	14,039
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 Hayes Audit		14,965	14,500
Bad Debts Written Off		250	-
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	1,910,022
Forensic Accounting and Legal Expenses	12	39,395	401,861
Forgiveness of Loan		4,400	4,400
General Expenses		10,390	15,525
Insurance		21,498	17,203
Legal Fees		34,601	11,408
Loss on Sale of Fixed Assets		5,937	9,830
Low Value Asset		922	-
Membership Communication		70,411	20,122
Office Services		21,005	24,823
Parking (Staff)		7,221	4,835
Power		4,387	2,996
Printing, Postage & Stationery		14,289	11,927
Prior Period Assets Written Down		(9,400)	48,879
Recruitment Expense		38,988	84,013
Rent & OPEX		119,281	118,162
Personnel Expenses		1,126,998	1,210,728
Security		76,323	55,306
Telephone/Internet		14,451	13,254
Website Management		22,020	21,780
Where Next App Operational Expenses		128,646	122,350
Total Expenses		4,602,417	4,629,082
Net Surplus		760,304	805,155

The accompanying notes form part of these financial statements.

HEART OF THE CITY INCORPORATED

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	760,304	805,155
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	873,278
Current Liabilities			
Accounts Payable		513,509	264,173
Income Received in Advance	10	1,134,573	223,333
		1,641,020	487,506
Total Equity & Liabilities		3,281,664	1,360,784
Current Assets			
Cash & Cash Equivalents	10	2,567,017	408,835
Short Term Deposits		268,902	319,613
GST Receivable		54,572	59,542
Prepayments		4,000	-
Settlement Receivables	14	-	115,000
Accounts Receivable		22,816	54,191
Ferry Building Suspensory Loan - Current	9	4,400	4,400
		2,921,707	961,581
Non-Current Assets			
Plant and Equipment	3	225,546	186,839
Capital Work in Progress		13,375	10,000
		238,921	196,839
Investments			
Ferry Building Suspensory Loan - 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
		94,636	171,564
		359,957	399,203
Total Assets		3,281,664	1,360,784

T Gould, Chairperson

Board Member

3 | 10 | 2016
Date

2 | 10 | 2016
Date

The accompanying notes form part of these 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 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 funds received from partners and the council 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

Heart 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	8,755
Depreciation Office Fittings & Furniture	7,198	8,481
Depreciation Promotional Assets	62,139	75,361
	<hr/> <u>78,830</u>	<hr/> <u>94,304</u>

3 Plant and Equipment	Cost	Accum Depn	Book Value
Year Ended 30 June 2016			
Office Equipment	\$ 18,300	13,213	5,087
Computer Equipment	71,659	46,022	25,637
Office Fittings & Furniture	122,582	81,359	41,223
Promotional Assets	553,401	399,802	153,599
	<hr/> <u>765,942</u>	<hr/> <u>540,396</u>	<hr/> <u>225,546</u>
Year Ended 30 June 2015			
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	405,704	117,683
	<hr/> <u>716,447</u>	<hr/> <u>529,608</u>	<hr/> <u>186,839</u>

4 Related Parties

The society has conducted transactions with related parties as follows:

Party	Relationship	Transaction
Gary Langsford	Former 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

Total rent paid to the 26 Lorne Street Limited where Gary Langsford (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	15,578	67,217
	<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	494,174	408,125
	<u>89,511</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 \$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.

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	\$ -	55,568
Recovery of Misappropriated Funds	326,000	373,916
	<u>326,000</u>	<u>429,484</u>

12 Forensic Accounting and Legal Expenses

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

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

13 Events, Sponsorship and Advertising

Expenditure cuts were made to these areas in the 2015 year given the need to cut costs while the fraud by the former Chief Executive Alex Sweeney 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 improperly by its former Chief Executive Alex Sweeney. With two payments (totalling \$373,916) confirmed and a third recorded as a contingent asset at balance date last year, the final payment of \$326,000 is recorded as income in the financial statements for the year ended 30 June 2016.

Proceedings against Mr Sweeney 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 is 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





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A letter from our Chair

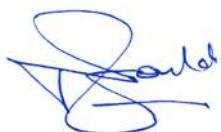
Auckland is evolving as an international city and there have been many exciting developments this year. The city centre continues to evolve physically and key indicators such as retail spend and pedestrian foot traffic in the inner city continue to increase. Prime office and retail vacancy rates have 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



Chair,
Waitemata
Local Board

Shale
Chambers



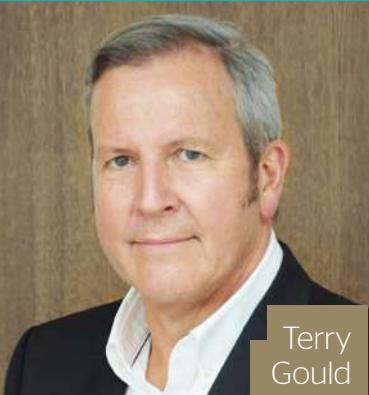
Chris
Cherry



Jason
Copus

**DEPUTY CHAIR
AND TREASURER**

Chief Financial Officer,
Smith and Caugheys



Terry
Gould

CHAIR

Owner,
Phillimore Properties



Regan
Hall



Sarah
Hull



Gary
Langsford



Shane
McMahon

General Manager,
NZ Bus



Paddy
Stafford Bush

Property Owner,
Dilworth Building

Marketing Director,
Cooper and Company

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

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

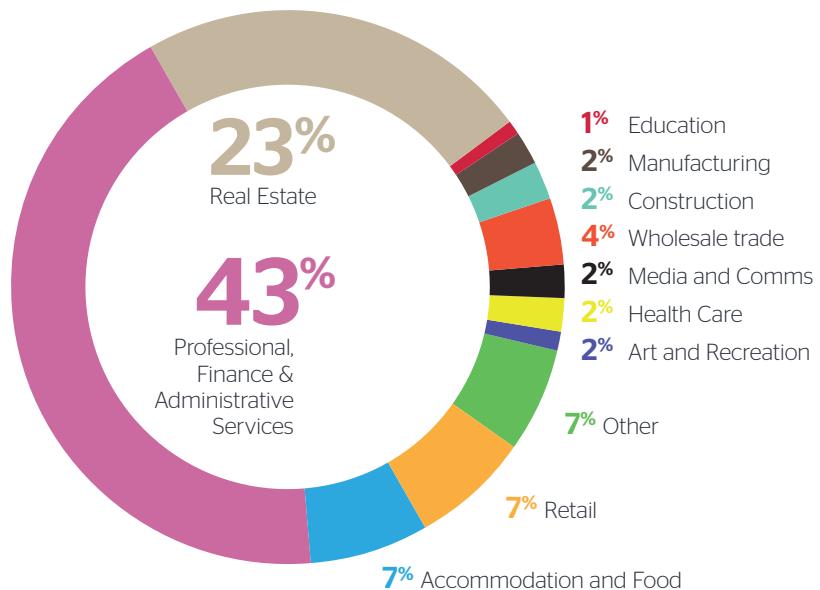


HEART OF THE CITY

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.

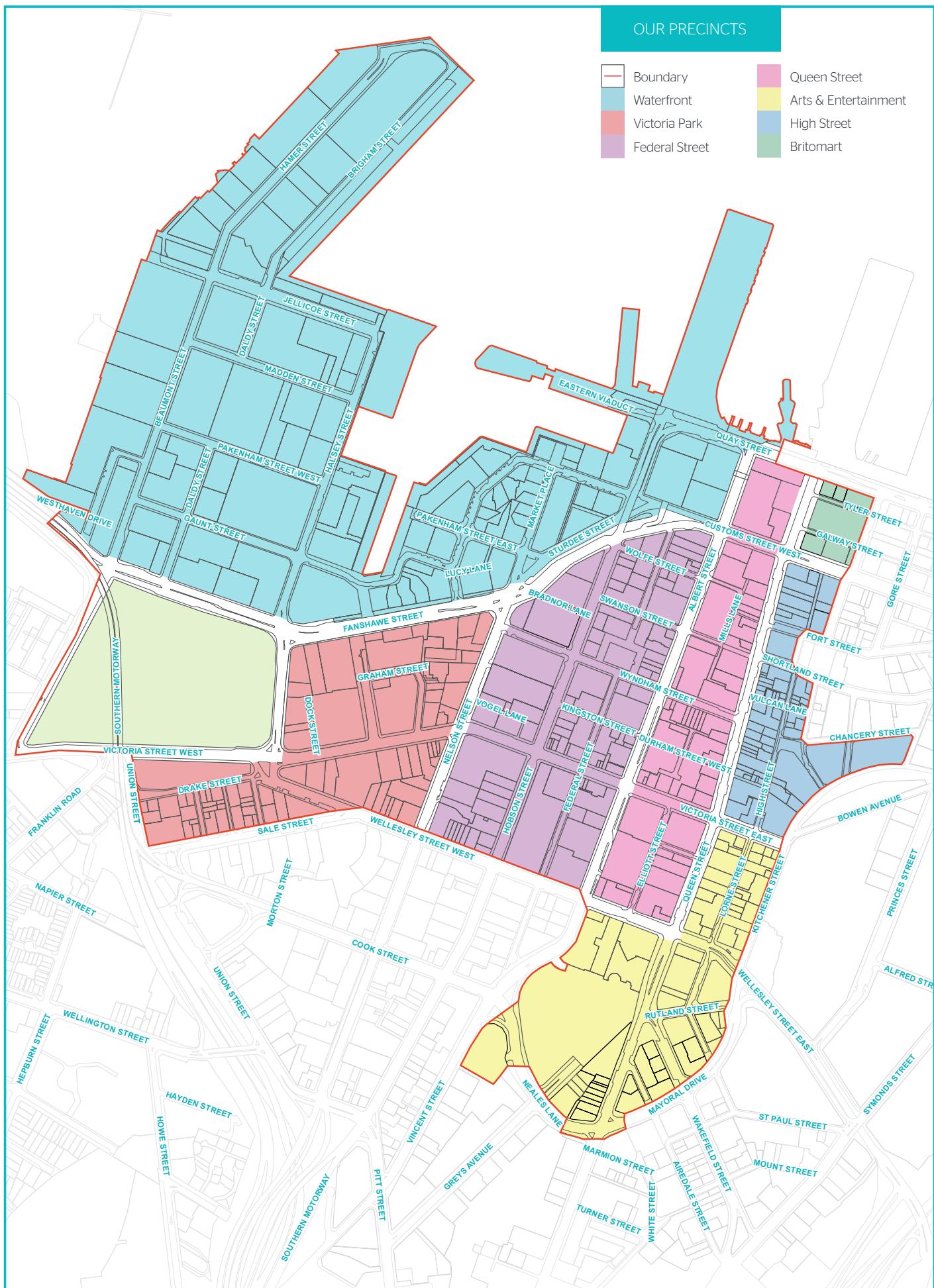
We are a membership organisation, governed by a constitution and eligible businesses and property owners within the Heart of the City boundary can join to gain voting rights and other benefits of membership. There are a large number of eligible businesses and property owners within our boundary and we 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.



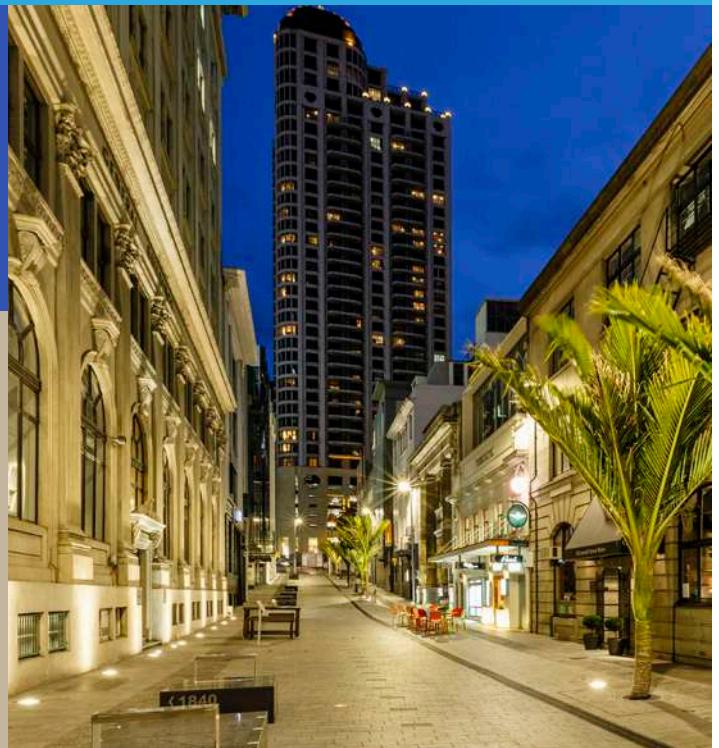
A city centre that is positive for business

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

<p>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.</p>	<p>Continued our NZME. media partnership delivering over \$900k in value, thereby increasing the visibility of our marketing.</p>	<p>Our WHERE NEXT™ App has been very successful with 35,000 downloads, and more than 1,060 users of the app every day.</p>
<p>Consumer spending for the total Heart of the City was up +8.7% during the 12 weeks of Winter 2014 campaign, an incremental \$24m.</p>	<p>Social media channels continue to grow, with 120,000 Facebook fans for Heart of the City and weekly email subscribers of 38,000.</p>	<p>Our website visits grew by 22% Year on Year, with 1.5m total visits and 920,000 unique visitors.</p>

WINTER CAMPAIGN 2014

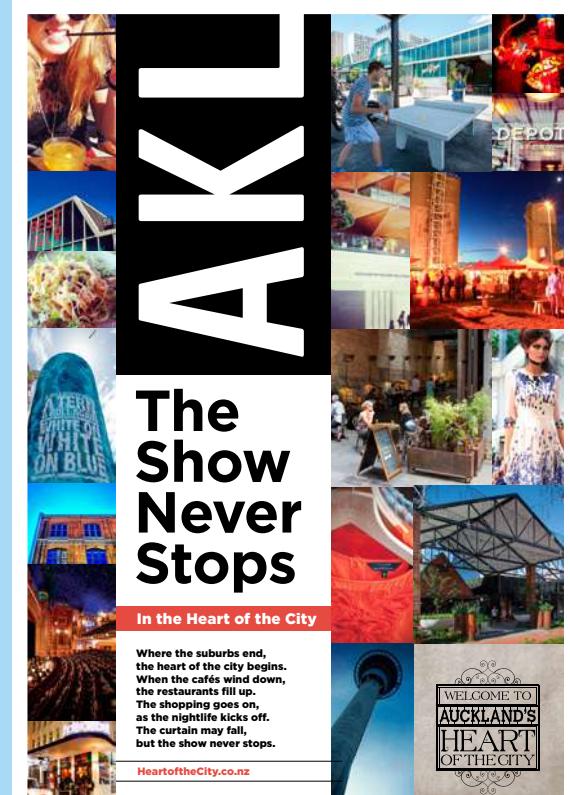
The Show Never Stops

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



8.7 %

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.

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.

NZ Fashion Weekend 2014

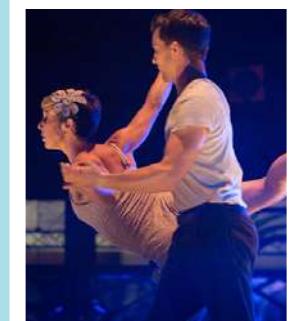
29 – 31 August



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.

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

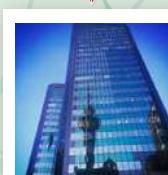
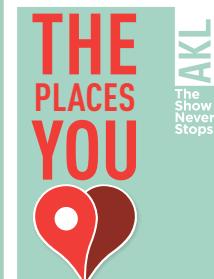
Heartmarks

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.



©AKL media 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



By uploading images to Instagram with #myheartmark, you agree to allow Heart of the City to use your image for promotional purposes via any channel, marketing materials, online and/or 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



HeartOfAklCity
13,700
followers



HeartOfAklCity
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.

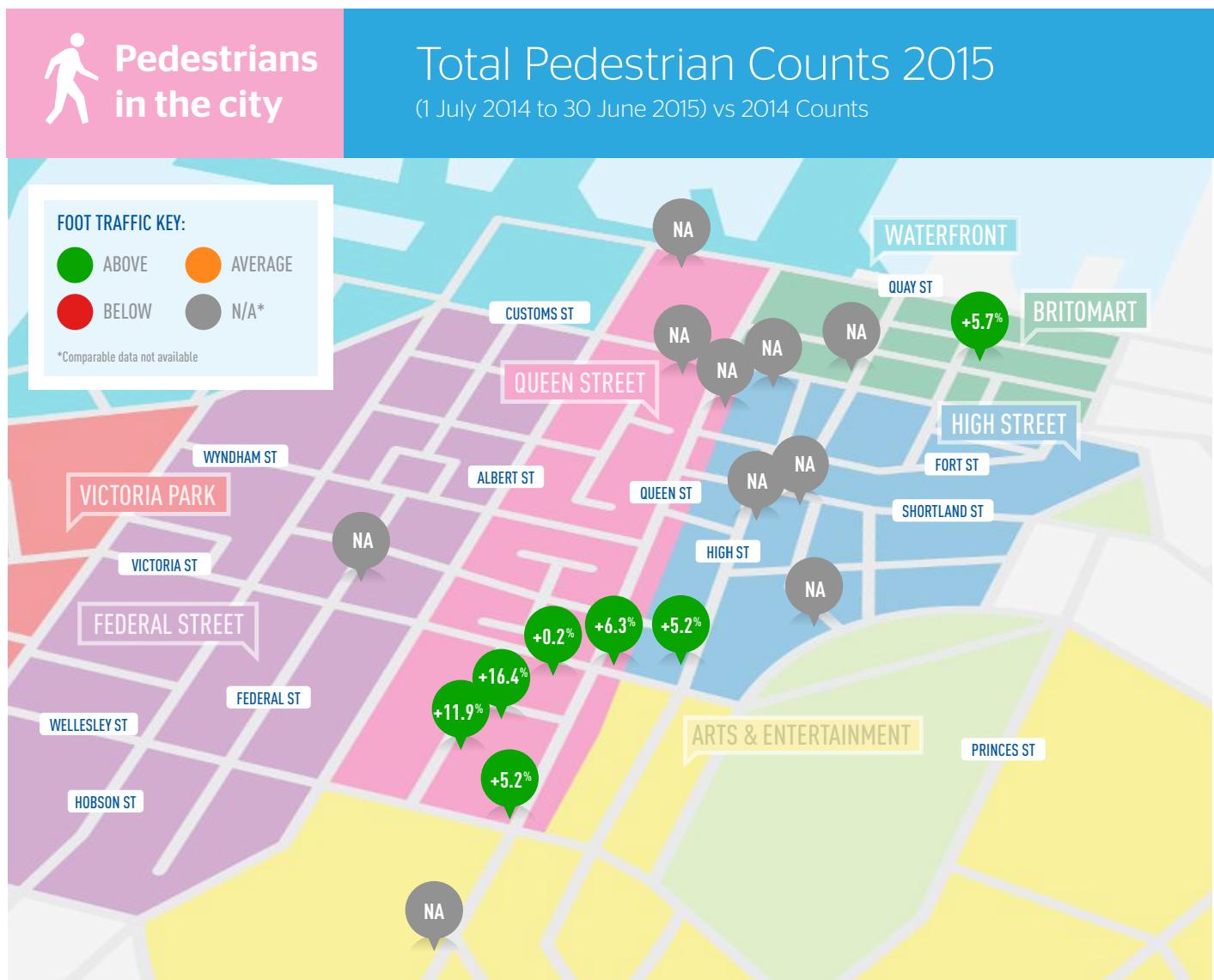
Monitoring the city centre's performance

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:

Spending up
9.8%

Transactions up
11.6%

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

65%

of respondents to a recent Heart of the City survey* **agreed or strongly agreed that Auckland's central city is a vibrant and dynamic place**, 27% neither agreed nor disagreed.

73%

of respondents agreed that the city offers them a **range of different experiences**.

45%

either agreed or strongly agreed that they find it easy to visit the central city.
22% neither agreed nor disagreed.



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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

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

T +64 (9) 367 1656
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

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

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
		<hr/>	<hr/>
		4,996,573	4,887,986
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
		<hr/>	<hr/>
		437,664	18,222
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.

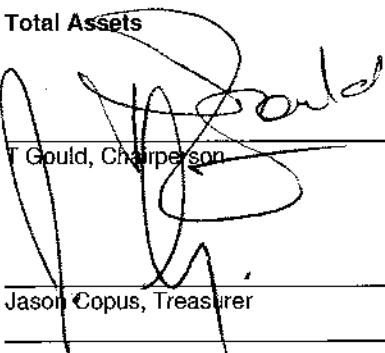
Statement of movements in equity for the year ended 30 June 2015

	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	<hr/> <hr/> 873,278	<hr/> <hr/> 68,123

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
		<hr/>	<hr/>
		487,506	782,860
Total Equity & Liabilities		<hr/> <u>1,360,784</u>	<hr/> <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	<hr/> 4,400	<hr/> 4,400
		<hr/> 961,581	<hr/> 292,026
Non Current Assets			
Property, Plant and Equipment		186,839	330,367
Capital Work in Progress		<hr/> 10,000	<hr/> -
	2	<hr/> 196,839	<hr/> 330,367
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		<hr/> 32,427	<hr/> -
	7	<hr/> 171,564	<hr/> 193,390
		<hr/> 399,203	<hr/> 558,957
Total Assets		<hr/> <u>1,360,784</u>	<hr/> <u>850,983</u>



T Gould, Chairperson

Date

29/10/15

Jason Copus, Treasurer

Date

29/10/2015

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 Sweeney	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	<u>75,361</u>	<u>78,974</u>
	<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	<u>134,021</u>	<u>193,390</u>
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
	<hr/>	<hr/>
	178,589	712,899

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	-
	<hr/>	<hr/>
	429,484	-

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.

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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.

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CONCLUSION

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Statement of Movements in Equity	8
Statement of Financial Position	9
Notes to the Financial Statements	10

Business directory (continued)

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

Auditor: Grant Thornton New Zealand Audit Partnership
L3, Grant Thornton House
152 Fanshawe Street
Auckland

Accountants: Grant Thornton New Zealand Ltd
L4, Grant Thornton House
152 Fanshawe Street
Auckland

Business directory (continued)

Chair:	Terry Gould
Deputy Chair:	Jason Copus
Treasurer:	Jason Copus
Board Members:	Gary Langford Allan Matson (resigned 29 October 2014) John Courtney (resigned 24 February 2015) Chris Cherry Paddy Stafford-Bush Shane McMahon Sarah Hull Denise L'Estrange-Corbet (resigned 29 October 2014) Andrew Stringer (resigned 29 October 2014) Regan Hall (appointed 29 October 2014)
Associate members appointed to the Board in a non-voting capacity:	Denise L'Estrange-Corbet (appointed 12 November 2014) Andrew Stringer (appointed 12 November 2014)
Local Board Representatives:	Shale Chambers



Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit
Partnership
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140
T +64 (0)9 308 2570
F +64 (0)9 308 4892
www.grantthornton.co.nz

To the Members of Heart of the City Incorporated

Report on the financial statements

We have audited the financial statements of Heart of the City Incorporated on pages 5 to 15, which comprise the statement of financial position as at 30 June 2014, 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.

Board Members' responsibilities

The Board Members are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that present fairly the matters to which they relate, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

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 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.

Our firm carries out other assignments for Heart of the City Incorporated in the area of accounting services and preparation of financial statements. The firm has no other interest in Heart of the City Incorporated.

Basis for Qualified Opinion on Financial Performance

As explained in Note 2, at the date the financial statements were authorised for issue, no adjustments have been made to the financial statements as the Society is still in the early stages of its civil proceedings and there is fundamental uncertainty around the total value of the outcome of the civil action made by Heart of the City against its former chief executive.

The Serious Fraud Office (SFO) was called in to investigate the fraud and to quantify the amount of loss for Board Members. The SFO then laid charges against the former chief executive on the 21 April 2015 and he pleaded guilty to a quantum of loss amounting to \$2.527 million.

A suppression order has also been issued by the High Court of New Zealand preventing the Board Members from disclosing any details pertaining to the fraud.

Any confirmed losses arising from fraudulent activity would require adjustments to be made to a number of line items in the Statement of Financial Performance as presented for the year ended 30 June 2014 and to other reporting periods.

Given the circumstances, we are unable to determine whether further adjustments and reclassifications to the statement of financial performance are necessary for the year ended 30 June 2014.

Qualified Opinion on Financial Performance

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 5 to 15 fairly present the statement of financial performance of Heart of the City Incorporated for the year ended 30 June 2014.

Opinion on Financial Position

In our opinion, the financial statements on pages 5 to 15 fairly present the statement of financial position of Heart of the City Incorporated as at 30 June 2014.



Grant Thornton New Zealand Audit Partnership
Auckland, New Zealand
20 May 2015

Statement of financial performance for the year ended 30 June 2014

	Note	2014	2013
		\$	\$
Income			
Auckland City Contributions		4,269,853	4,258,523
Event and Sundry Income		22,167	8,654
Big Little City Campaign Funding		595,966	692,553
		4,887,986	4,959,730
Investment and Other Income			
Net Dividend Received		990	960
Interest Received		1,846	3,178
Profit on Sale of Fixed Assets		15,386	-
		18,222	4,138
Total Income		4,906,208	4,963,868

The accompanying notes form part of these financial statements.

Statement of financial performance for the year ended 30 June 2014

	Note	2014	2013
Expenses		\$	\$
ACC Levy		5,095	5,650
Accountancy Fees		27,660	32,791
Advocacy		270,671	141,141
AGM Expenses		785	8,053
Ambassadors		238,721	216,490
Amortisation of Intangible Assets		30,790	61,580
Audit Fees		14,285	12,447
Bank Fees		287	237
Committee Expenses		1,325	1,388
Committee Wages		14,846	19,691
Community Donations		1,200	-
Computer/Phone Maintenance		26,739	24,346
Contractor Expenses		286,911	252,680
Couriers		-	1,384
Depreciation	7	104,578	109,088
Education/Seminars		370	398
Events, Sponsorship & Advertising		3,306,660	3,012,944
Forgiveness of Loan		4,400	-
General Expenses		36,505	34,307
Insurance		42,466	17,340
Interest		22	-
Legal Fees		13,251	15,238
Loss on Sale of Fixed Assets		-	9,132
Membership Communication		7,821	7,083
Office Services		28,973	28,522
Parking (Staff)		6,259	10,091
Payroll Processing		3,389	3,125
Pedicabs		7,091	15,545
Penalties		323	300
Printing, Postage & Stationery		19,149	12,169
Rates & OPEX		3,965	4,823
Rent		106,417	108,494
Salary and Wages		903,821	698,009
Security		121,012	36,241
Subscriptions/Memberships		-	476
Telephone/Internet		15,938	15,257
Website Management		25,610	25,054
Total Expenses		5,677,335	4,941,514

The accompanying notes form part of these financial statements.

HEART OF THE CITY INCORPORATED

Statement of financial performance
for the year ended 30 June 2014

	Note	2014	2013
		\$	\$
Net (Deficit)/Surplus		(771,127)	22,354

The accompanying notes form part of these financial statements.

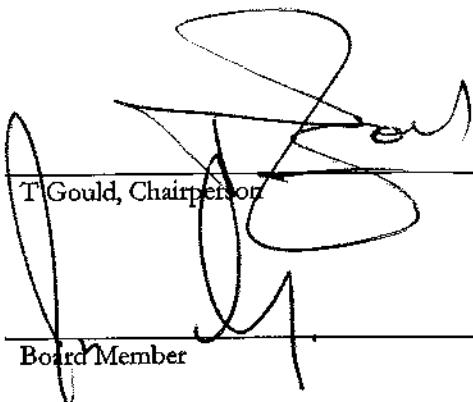
**Statement of movements in equity
for the year ended 30 June 2014**

	Note	2014	2013
Equity at 1 July		\$ 839,249	\$ 816,895
Net (Deficit)/Surplus for the Year		(771,127)	22,354
Total Equity at 30 June		<hr/> 68,122	<hr/> 839,249

Statement of financial position as at 30 June 2014

	Note	2014	2013
		\$	\$
Equity			
Retained Earnings		68,122	839,249
Current Liabilities			
Accounts Payable		640,488	359,289
Income Received in Advance		142,373	205,833
		<u>782,861</u>	<u>565,122</u>
Total Equity & Liabilities		<u>850,983</u>	<u>1,404,371</u>
Current Assets			
Cash & Cash Equivalents		41,918	398,453
Term Investments		57,901	56,216
Other Receivables		107,597	361,006
Accounts Receivable		80,210	97,942
Ferry Building Suspensory Loan - Current		4,400	4,400
		<u>292,026</u>	<u>918,017</u>
Non Current Assets			
Property, Plant and Equipment	3	330,367	385,173
Intangible Assets	9	193,390	61,581
Ferry Building Suspensory Loan - Non-current		35,200	39,600
		<u>558,957</u>	<u>486,354</u>
Total Assets		<u>850,983</u>	<u>1,404,371</u>

For and on behalf of the Board who approved these financial statements for issue.


T. Gould, Chairperson
Board Member

20/5/15
Date

20th May 2015
Date

Notes to the financial statements for the year ended 30 June 2014

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 principles.

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 the Society in the preparation of these financial statements.

Property, Plant and Equipment

Property, plant and equipment is 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 and 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	36% - 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.

Notes to the financial statements for the year ended 30 June 2014

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 lives, 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.

	Rate	Method
Website	50%	DV
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 2014

2 Fundamental Uncertainty Surrounding Legal Proceedings

Subsequent 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.

No adjustments have been made to the financial statements as a result of the fraud as the Society is still in the early stages of its civil action. At the date of authorising these financial statements for issue, there is a fundamental uncertainty around the total value of the outcome of the civil action made by Heart of the City against its former chief executive.

The Serious Fraud Office (SFO) was called in to investigate the fraud and to quantify the amount of the loss for Board Members. The SFO then laid charges against the former chief executive on the 21 April 2015 and he pleaded guilty to a quantum of loss amounting to \$2.527 million.

A suppression order has also been issued by the High Court of New Zealand preventing the Board Members from disclosing any details pertaining to the fraud. This is specifically on the civil action by Heart of the City against its former chief executive.

Any confirmed losses arising from fraudulent activity would require adjustments to be made to a number of line items in the Statement of Financial Performance as presented for the year ended 30 June 2014 and to other reporting periods.

A contingent asset has not been disclosed in relation to amounts that could potentially be recoverable from the former chief executive's personal assets due to the suppression order and the current status of legal proceedings against him.

3 Property Plant and Equipment

Year Ended 30 June 2014

	Cost	Accum Depn	Book Value
	\$	\$	\$
Office Equipment	31,168	22,363	8,805
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
	<hr/> 1,228,687	<hr/> 898,320	<hr/> 330,367

Year Ended 30 June 2013

Office Equipment	31,168	19,830	11,338
Computer Equipment	64,428	38,847	25,581
Office Fittings & Furniture	130,288	63,869	66,419
Promotional Assets	1,032,379	750,544	281,835
	<hr/> 1,258,263	<hr/> 873,090	<hr/> 385,173

4 Contingent Liabilities

There are no contingent liabilities at year end (2013: \$Nil).

5 Capital Commitments

There are no capital commitments at year end (2013: \$Nil).

Notes to the financial statements for the year ended 30 June 2014

6 Related Parties

The society has conducted transactions with related parties as follows:

Party	Relationship	Transaction
Terry Gould	Chairman	Honorarium
Jason Copus	Treasurer	Honorarium
Gary Langsford	Board Member	Landlord (Part Owner), Honourarium, Funding paid to related party
Chris Cherry	Board Member	Honorarium
John Courtney	Board Member	Honourarium, Partnership fee received from related party
Alan Matson	Board Member	Honorarium
Paddy Stafford-Bush	Board Member	Honorarium
Shane McMahon	Board Member	Honorarium
Sarah Hull	Board Member	Honorarium, Funding paid to related party, Partnership fee received from related party
Denise L'Estrange-Corbet	Board Member	Honorarium
Andrew Stringer	Board Member	Honorarium
Alex Swney	Secretary	Contractor Services - Provided via AGS Services Limited

Notes to the financial statements for the year ended 30 June 2014

6 Related Parties (continued)

Total rent paid to the 26 Lorne Street Limited where Gary Langsford (Board Member) is a part owner was \$106,417 (2013: \$108,494). Gary Langsford is also a board member of NZ Contemporary Arts Trust which received \$40,000 of funding for the Auckland Art Fair and \$20,000 for Art Week from Heart of the City Incorporated during the year.

John Courtney is a shareholder and director of Hotel De Brett building. Hotel De Brett paid a partnership fee of \$7,500 to Heart of the City Incorporated during the year.

Sarah Hull is an employee of Cooper and Company which paid a partnership fee of \$15,000 during the year. Cooper and Company also received sponsorship payments of \$15,000 from Heart of the City Incorporated toward Britomart Fashion Sessions.

No amounts are outstanding at year end.

No related party debts have been written off or forgiven during the year (2013: \$Nil).

7 Operating Expenses

Operating expenses include the following depreciation:

	2014	2013
	\$	\$
Depreciation Office Equipment	2,532	3,624
Depreciation Computer Equipment	13,129	4,596
Depreciation Office Fittings & Furniture	9,943	11,549
Depreciation Promotional Assets	<u>78,974</u>	<u>89,319</u>
	<u>104,578</u>	<u>109,088</u>

8 Lease Commitments

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

	2014	2013
	\$	\$
Current	198,948	179,564
Non current	<u>513,951</u>	<u>147,706</u>
	<u>712,899</u>	<u>327,270</u>

Notes to the financial statements for the year ended 30 June 2014

9 Intangible Assets

Year Ended 30 June 2014	Cost	Accum Depn	Book Value
Website at Cost	330,894	300,104	30,790
App at Cost	162,600	-	162,600
	<u>493,494</u>	<u>300,104</u>	<u>193,390</u>
Year Ended 30 June 2013	Cost	Accum Depn	Book Value
Website at Cost	330,894	269,313	61,581
App at Cost	-	-	-
	<u>330,894</u>	<u>269,313</u>	<u>61,581</u>

10 Ferry Building Partnership Suspensory Loan

There is a suspensory loan to the Ferry Building Partnership for the amount of \$39,600 (2013: \$44,000). 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 Events Occurring After Balance Date

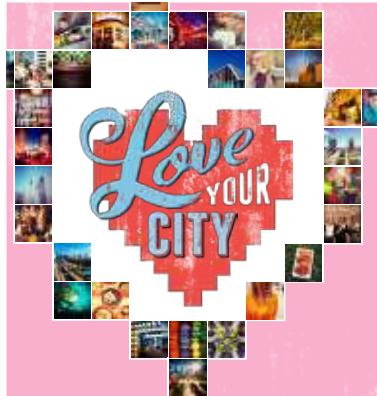
The Board Members are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of Heart of the City Incorporated (2013: Nil).



HEART OF THE CITY

Annual Report 2014





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A letter from our Chair

Auckland's City Centre's significance and role in the New Zealand economy continues to increase, with a belief from city businesses about its future. Spending was up 7.5% on same time last year, vacancy rates are at their lowest vs long term averages, and pedestrian counts continue to increase. In the last 12 months, Heart of the City has delivered many positive achievements and milestones. Most importantly we have delivered some real results for our membership across all areas of our work - advocacy, centre management, marketing and events. The city continues to transform into a sophisticated downtown that hums and is where people want to be. We are proud of our contribution to its development.

A few of the highlights have been our leap forward in promoting the city centre in a new partnership with Council organisation ATEED, with the 'AKL - The Show Never Stops' platform; our significant advocacy programme including the participation in the Unitary Plan process; projects around safety and parking that look to improve the real and perceived experience of the city, along with our events programme which brings an energy and buzz to the city, and demonstrable returns for our members. The city does not come without its challenges - we have continued to bring focus and attention to all areas that impact the city.

It has been an exciting year for us, and we are pleased to share the results with you.



Terry Gould

Chair, Heart of the City Board

Our board of Directors



John Courtney

Owner,
Hotel De Bretts



Sarah Hull

Marketing Director,
Cooper and Company



Shale
Chambers

Chair,
Waitemata
Local Board



Chris
Cherry

Owner,
Workshop Denim
and Helen Cherry



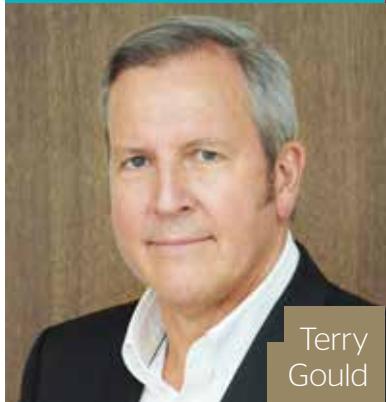
Jason
Copus

DEPUTY CHAIR AND TREASURER

Chief Financial Officer,
Smith and Caugheys



Denise
L'Estrange-Corbet



Terry
Gould

CHAIRPERSON

Owner,
Phillimore Properties

CEO &
Co-founder
WORLD



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

Gary
Langsford



Property Owner,
Dilworth Building

Andrew
Stringer



Allan
Matson

Shane
McMahon



Paddy
Stafford Bush

Heritage
Consultant

General Manager,
NZ Bus

The HOTCity team

Angela Barlie Office Manager

Johnathan Clark Ambassador

Lily Clark Marketing & Communication Executive

Kate Cleaver Marketing Manager

Suchitra Desai Ambassador

Tania Loveridge Centre Manager

Werner Mascaranhas Ambassadors Team Leader

Erin Stewart Events and Sponsorship Executive

Jane Stewart Events and Sponsorship Manager

Sarah Terry Brand Manager

Riah Vather Marketing Assistant

Graham Wilson Ambassador

10,800
Businesses

+ 4,000
Commercially
rated
properties

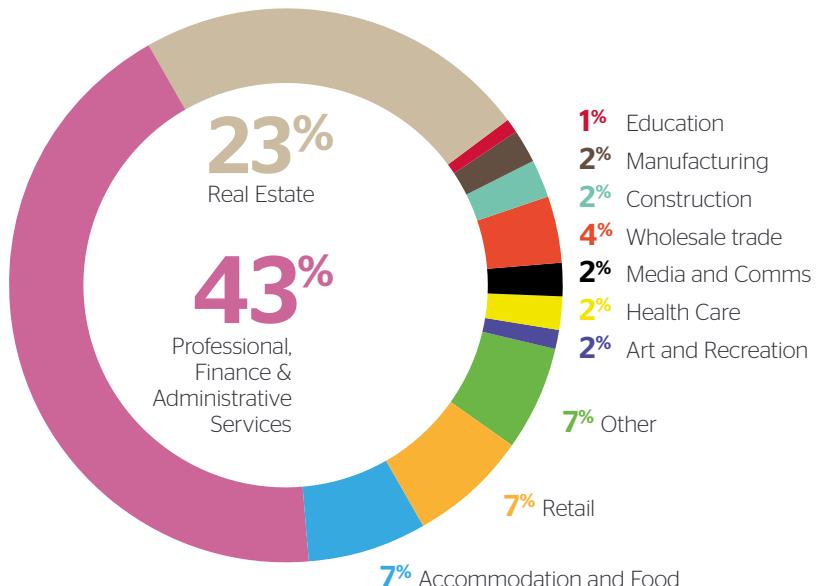
1200+
Property
owners

We have a broad
membership base
highlighting the
city centre's diverse
business mix.



HEART OF THE CITY

Heart of the City membership



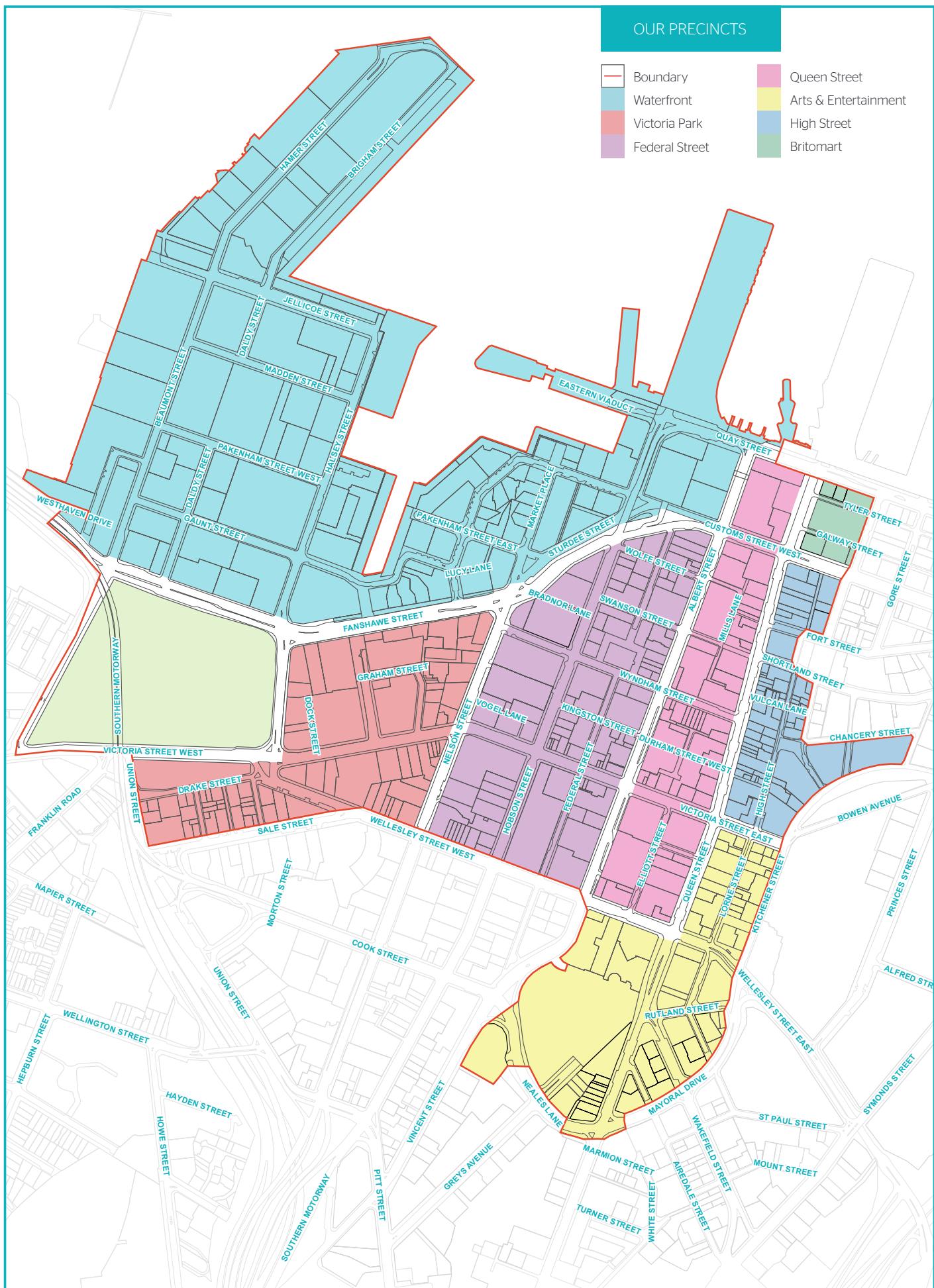
WHAT OUR MEMBERS SAY

Our annual members survey is a chance for HOTCity members to tell us what they are thinking about our performance as well as priorities for the City Centre.

This year we received great ratings for our performance, particular in the areas of **members communications, marketing** and **events. Parking** and **Safety** remain top priorities for the city centre. This is an area that we have been focusing on through our advocacy role and through a number of safety focused projects.

MEMBERS SURVEY RESULTS

- The highest priorities for the city centre are - Public Transport, City Rail Link, Parking, Safety and Marketing
- Overall, 79% rated us good, very good or excellent in our overall performance for the year
- The one thing we do well is comms to business, then marketing and then promotion and events - *"We have a beautiful city and you promote it well. Carry on with the good work so that we can all enjoy it"*
- We need to focus more on safety and parking - *"improve the 'short term street parking around the city, it is impacting on businesses in this area"*



Working on Behalf of Business

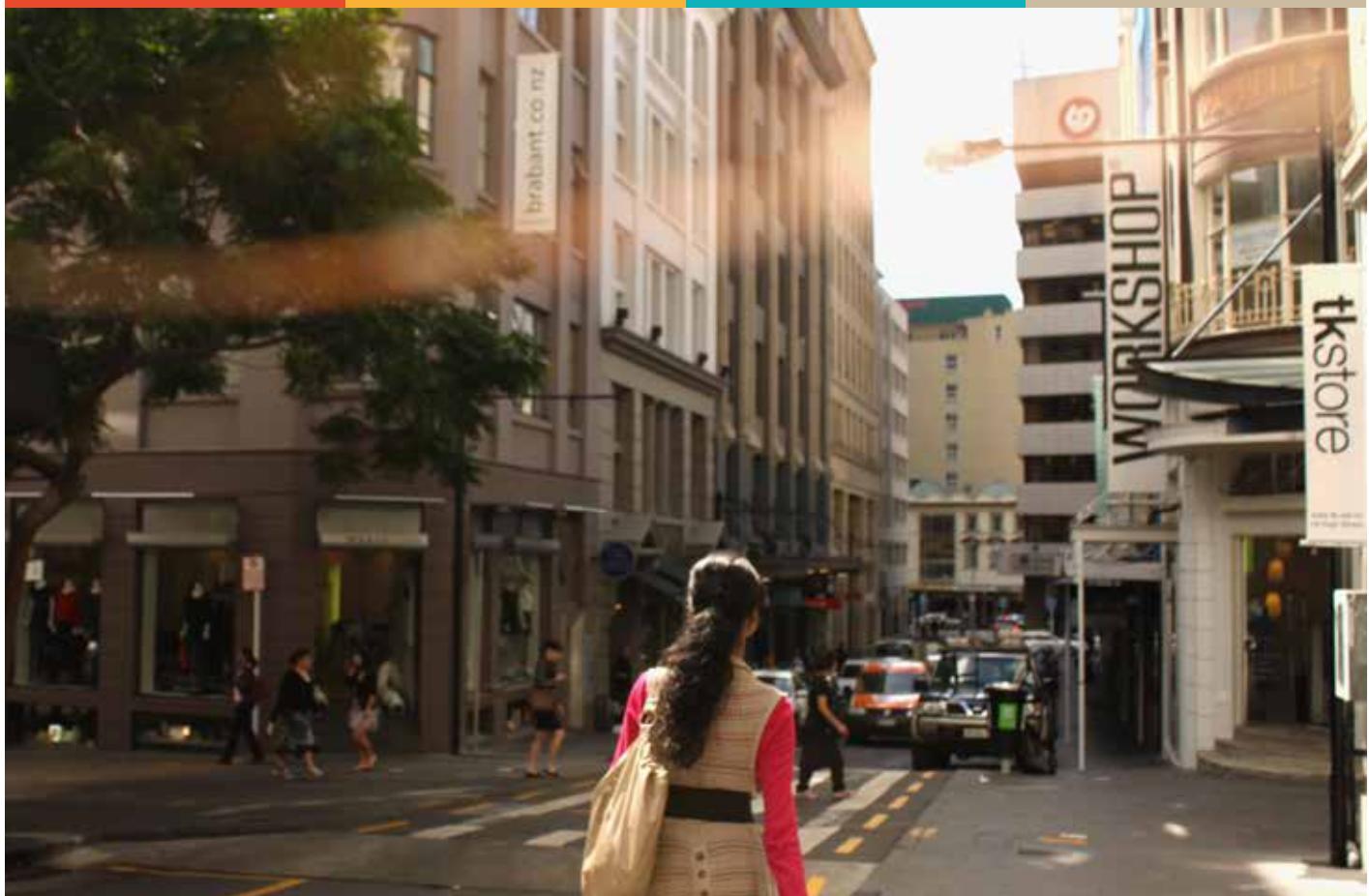
The daytime population makes us the 4th largest city in New Zealand. As a result, we are faced with set of challenges that set it apart from any other urban centre in New Zealand.

The city centre is the shop face for New Zealand

91,000
Workers

Residents
26,300

70,000
Students





Getting around, particularly public transport and parking continue to be issues, the concentration of heritage buildings, the huge number of events and the high concentration of nightlife activity all collide here in the heart of our city.

MEMBERS COMMUNICATIONS

A key priority for us is to keep our members informed and engaged on HOTCity activity as well as key city developments and issues.

This year we have been working hard to increase the organisation's twitter presence (@hotcity_aki), which now has over 800 followers. This is a useful engagement channel with members, to facilitate discussion around city issues and projects and allows us to connect with new and existing businesses.

KEY AREAS OF WORK THIS YEAR

THE AUCKLAND UNITARY PLAN

The Unitary Plan is the 30 year framework for the Auckland region. It is a daunting undertaking that will span a 3 year time-frame prior to implementation. Getting it right, or as near to right, is incredibly important.

The scale and scope is beyond many and most of our city stakeholders rightly expect us to represent their issues within this process. This year, we have been active participants in the Unitary Plan Development and Submission Phase and will be fully engaged throughout the next two years prior to its notification.

Our 186 page submission, covering 145 key points included commentary around transport links into the city, parking, public transport priorities, sequencing of implementation, waterfront and ports form and function, the balance between heritage protection and development and many other issues.

SKYPATH

Skypath is a project that will create a walking cycling link across our harbour and is a key contributor to meeting the objective of doubling the walking cycling modal shift for access to the city. We view it as being equally important as a tourism attraction for visitors to Auckland while also enhancing our environmental and liveability credentials. It is estimated that of the 800,000 p.a. users 20% will be tourists.

Heart of the City is a long-time supporter of this project culminating in the lodgement in August 2014 of the Resource Consent. It has been a long journey but we have a growing confidence that this project will be completed by June 2016.

Working on Behalf of Business

KEY AREAS OF WORK THIS YEAR

PARKING

It is not expected that parking capacity in the city will increase in the next 20 years and that the growth in commuter numbers will be by way of public transport patronage. We have continued to promote parking as an important part of the commuter matrix. Our position is that parking needs to work harder by providing a more relevant element to access, and we have continued to support the "Demand Parking" model that we worked on with Auckland Transport in late 2012. This year we have again worked closely with Auckland Transport through the early development of the Parking Discussion Document, and we have successfully advocated for a change in the pricing regime and reduction in long term parking (congestion model) in favour of increased short term shopper parking.

PORTS/WATERFRONT

Increasingly there is an appreciation that Auckland is a harbour edge city rather than a port edge city. Heart of the City supports

the efficient management of our supply chain but equally value the prospect of new economies on our waterfront - most notably tourism. The Port has an important role but as trade grows and port volumes increase the stress on the road and rail network have the potential to conflict with higher public transport numbers on these networks. We have led the advocacy for a wider long term view about the role of a modern port for Auckland. We do this with a wide range of partners in the architectural, marine and urban design sector and, importantly, with Ngati Whatua and Orakei.

SAFETY

Our key objective is to see an improved real and perceived rating for safety in the city centre. We are an active member of the Mayoral Task Force on Alcohol and Safety, as well as deliver and/or fund a number of safety projects. This year we have worked with partners around issues that impact safety in the city centre - including Alcohol and Begging.



We are a powerful advocate for you and your city... every day

We continue to send out regular E-letters to members, with over **3,500** subscribers.

This year we have been busy

The introduction of ultrafast broadband is welcomed, but its implementation was incredibly challenging for the city centre. We spent tireless hours working through the process to mitigate the impact to business, in the same way that we authored and oversee event and film policies and their application in the city.

Submissions made:

- Local Alcohol Policy and Alcohol Bylaw 2014
- Draft Arts and Culture Strategic Action Plan 2014
- Building (Earthquake-prone Buildings) Amendment Bill
- Proposed Auckland Unitary Plan
- Parking Discussion Document for the Auckland Region
- Street Trading and Events Bylaw 2014
- Signage Bylaw 2014
- Auckland Council Annual Plan 13/14

Activity such as street and utility upgrades in the city can be disruptive for business. While we support these investments in our city it is our view that they must be mitigated by work practices that respect businesses ability to do business while expediting the required work.

Every day we advocate in this important area balancing development with the implementation of this change with the wide range of agencies delivering these projects.

CITY CENTRE ADVISORY BOARD

In 2002, HOTC negotiated with Council for the creation of a targeted rate for city centre projects. This \$200 million fund is overseen by the City Centre Advisory Board. We are a founding member of this Board representing business interests about the application of this fund and holding Auckland Council and other delivery agencies to account for key city projects. This year we have provided an early stakeholder input into the new round of projects planned for the city centre, as well as working on a new look Targeted Rate from 2016.

SUBMISSIONS MADE THIS YEAR

Unsurprisingly there are many competing interests in the high density city centre environment. These are managed within a range of policies and bylaws that prescribe the framework in which business is carried out in our city. HOTC is regularly submitting on this framework as it is constantly reviewed in light of the way that the city centre is evolving.

MAKING BUSINESS EASIER TO DO

We work closely with Council, Auckland Transport and many other agencies to achieve a better well managed and coordinated place.



Making the City Centre a Destination

Marketing & Events

This year we took a leap forward in how Auckland was promoted as a destination, forming a strategic alliance and joint venture partnership with ATEED (Auckland Tourism Events and Economic Development).

Together we developed and launched an award winning creative platform: AKL The Show Never Stops (Winners of the Lifestyle/Travel/Leisure category - NZ Marketing Awards, 2014).

The joint campaign launched nationwide on TV in February 2014, and meant that for the first time there was a single proposition and story for Auckland. Enabling both the organisations investing in promoting Auckland, to leverage and benefit from each other's limited marketing dollars. AKL: The Show Never Stops is integrated across all of our relevant marketing campaigns.

As part of this unification of our marketing platforms, we also took the opportunity to shift away from BIG little City, the very successful campaign that had run in Auckland for 5 years (since 2009) to 'Heart of the City' and create more visibility, linking the organisation with the delivery of these successful activities.

In addition to the way we market the Heart of the City, we have continued to strengthen our events programme this year, which provide additional reasons for people to visit and enjoy our central city. We've sought to further establish the pillar events that we know Aucklanders respond to, and engage with - and that most directly benefit our retail and hospitality sectors, i.e. 10 Days of Fashion in the City and Restaurant Month.

WINTER CAMPAIGN 2013

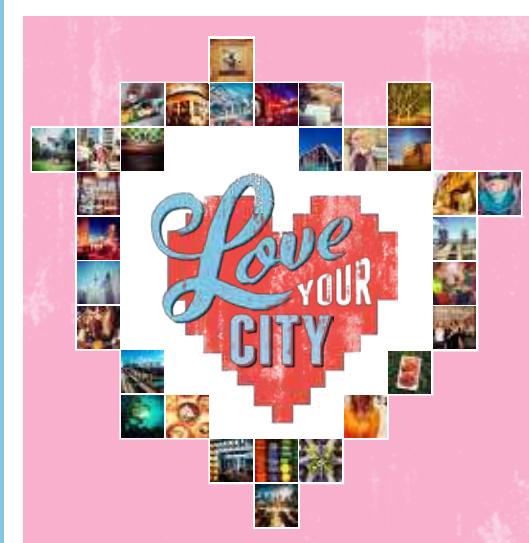
Love Your City

Nothing is more compelling than a personal recommendation, so we asked Aucklanders to post what they love about Auckland's central city - the content was authentic, real and believable.

We decided on a more socially integrated, user generated campaign approach to showcase the city. The timing was right, with the tide coming in for Auckland city we for the first time felt we had both the critical mass of audience following in social media and the substantiation to claim a 'Love Your City' styled idea for Winter.

Results

- **6%** increase in spending (over the 12 weeks of winter), and **+29%** increase v 5 year average, while competitor spending was down **-3%**
- Unprompted awareness rose to **65%** (without TV), from **57%** prior year
- Great engagement from Aucklanders, with **7,300** images to Instagram over 12 weeks
- People surveyed said they were visiting the city more often i.e. **4+** visits in the last month increased to a third or **33%** (vs **19%** the year before)
- Web visits increased by **+60%** v prior year, with **467k** visits in 12 weeks



There are so many reasons to love your city

And we want to see your favourites. Whether it's enjoying winter sun at Sisa Park, a show at The Civic, or anything in between, send us your Instagram shots of what you love the next time you're in Auckland's BIG little City.

We'll use them to celebrate the heart of our city and the very best will be featured in an exhibition.

To see all the photos, visit biglittlecity.co.nz

Here's how to send us your photos:

- 1 Take a photo using your phone or camera
- 2 Upload with Instagram
- 3 Tick 'Add to your Photo' and choose the location
- 4 Upload it



6 %

Increase in spending over 12 weeks period

48 HOUR CITY 2013

16 June – 31 August

- A deals based campaign that helped drive people to the city's retail and hospitality businesses during the quieter winter months
- Free for members to participate, this was Year 3 for the campaign but the first with a sponsor - American Express

Results

- The result was **12,000** deals claimed, **+9%** on 2012
- **29%** of Aucklanders surveyed had heard of 48 Hour City (or seen our advertising), up from **+9%** awareness the year before
- Visits to 48 Hour City landing pages on our website were up **+132%** versus STL. **139k** page views vs **60k**



12,000 deals claimed

RESTAURANT MONTH 2013

3 JULY - 31 AUGUST

In partnership with American Express we delivered the signature dining event for the city, with over **100** participating Restaurants, and **20** events - including International Chef dining series, the inaugural Street Eats at Shed 10 (with **15,000** people), and the Winter Warm Up at Vic Park.

- Media included: Print, Outdoor, Digital (incl. Facebook & Mobile)
- Editorial Partnership with Viva delivering 7 weeks of coverage

Results

- Spend at participating restaurants **+22.5%** vs prior year. Web visits **+69%**, and visits to Restaurant Month pages **+73%**

Web visits **+69%** Spend at participating restaurants **+22%**



AKL
The Show Never Stops

EXPLORE THE SHOPS DISCOVER THE MAGIC

The central city is full of gifts you won't find anywhere else this Christmas. And while you're here, take the time to soak up the festive atmosphere in the heart of the city. See the enchanting Smith & Caughey's windows, Santa on Whitcoulls Corner and the brilliant Queen Street lights. The shops have extended trading hours, so stay later to take in these dazzling displays at night.

There's more to discover this Christmas at heartofthecity.co.nz

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CHRISTMAS 2013

24 Nov - 31 Dec

- 18 Christmas Events - including our 12 Days of Christmas which saw daily events across 12 different public spaces, encouraging people to stop and enjoy their surroundings
- Decorations, including Santa on Whitcoulls Cnr, Durham Lane Doves, Elliott St Angels, High Street Paper Chains & Extended Queen St lights.
- An dedicated marketing campaign, including Print, Digital, Radio and a NZH Viva Cover Wrap & 12page Bumper Issue and A5 Christmas Event Guide

Results

- Spending in the HOTC **+1.1%** vs total competitors down **-3.2%**. transaction numbers up **4.1%**

Transaction numbers up **+4.1%**

ARTWEEK 2013

16 September – 19 October 2013



- Celebrating art in central city galleries, public spaces & corporate collections
- 19 free guided walks, 13 exhibitions and 27 events, including the hugely popular Love Your City exhibition
- A dedicated marketing campaign including Print, Radio, Web, and an A5 Event guide
- **150,000** copies of the Artweek Guide (**100,000** inserted into NZ Herald)

Results

- Total Web visits up **+96%**, Art Week pages **+97%** – over **30,000** pages views during the campaign
- Great feedback from those who attended the works

10 DAYS OF FASHION IN THE CITY 2014

3 Feb – 9 Mar 2014

- 10 days of in-store offers from over **100+** participating retailers, over 20 events incl. fashion shows, launch parties and exhibitions, sponsored by Resene
- NZ's Longest Catwalk on Queen St was hugely successful, we literally stopped traffic, est. **5,000** attended the event
- A dedicated marketing campaign that positioned the city centre as a fashion destination: across a range of media including an A5 16pg Event Guide (**120k** copies distributed via NZ Herald, & Participating Retailers) plus integrated PR and editorial partnership with Viva

Results

- Spending at participating retailers was **+12.4%** during the 11 days of the event versus the same time last year
- Visits to the Fashion landing pages on the website were up **+36%**

CRUISE SEASON 2013/14

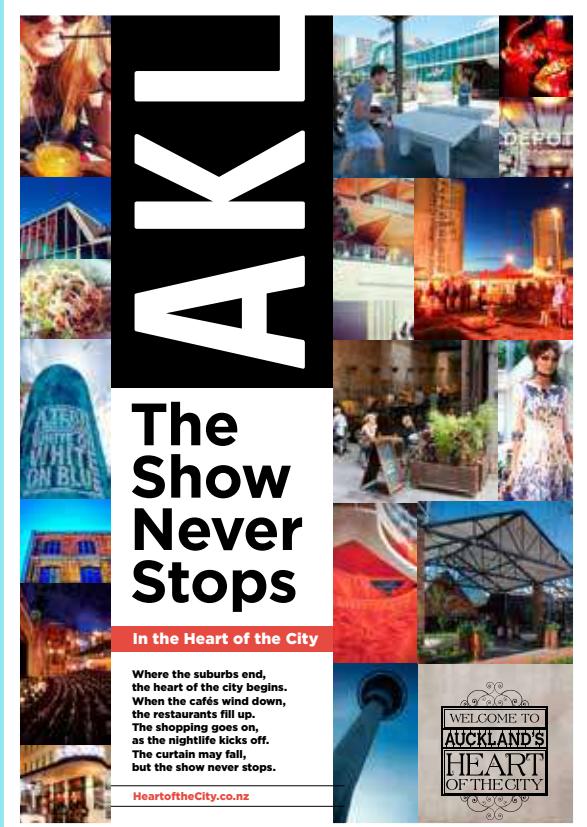
Guide to AKL in a Day

- With **186,178** Cruise Guests, on **75+** Ships coming in almost daily over summer, Our 'Guide in to AKL in a Day' has been developed to keep the visitors in the city centre, and experience the best of what we have to offer. **50,000** guides were handed out by our Ambassadors at Queens Wharf
- Extremely positive feedback from cruise guests, City Centre businesses, iSite staff, Cruise NZ and ATEED



WINTER CAMPAIGN 2014

The Show Never Stops



- Media consisted of: Cinema, Print, Outdoor, Digital, Facebook, Mobile advertising, Social & Web Media
- APN Media Partnership to deliver added editorial value c. **\$900k**
- WHERE NEXT™ App launched on 30 June, FREE to download
- False Front Cover for Viva & 11 page Supplement of winter content on 16 July

Results

- 10.3%** increase in website visits – **515,000** visits vs 467,000 visits same time last year
- The joint campaign with ATEED won the 2014 NZ Marketing Award for The Lifestyle Travel Leisure category

10.3%

Increase in website visits

\$900,000

Value added to APN media partnership

WHERE NEXT APP 2014

30 June – 21 September

- A clever, meaningful app that encourages people to stay longer and do more in the city, by giving ideas of what to do/where to go next
- Provides HOTCity with a new tool and channel for our audiences in a personalised, relevant way, based on their preferences & behaviour
- 17,500** downloads in 12 weeks
- Repeat open rate of **61%**
- 52%** surveyed said it had encouraged them to come into the central city
- 72%** said they would recommend the App to others

61%
Open rate

17,500
App downloads



CITY DEALS 2014

16 June - 31 August

- City Deals 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
- This year we had over **15,500** deals claimed, **+29%** on 2013



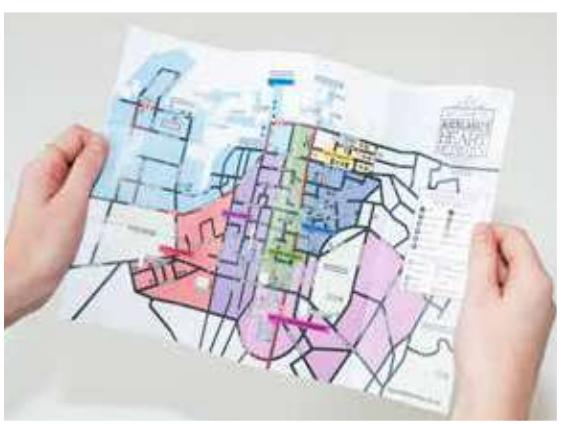
15,000
Deals
claimed

+29%
vs 2013

Heart of the City Maps 2014

16 June - 31 August

- **100,000** folded and map pads distributed via Ambassadors to visitors and hotel concierges



RESTAURANT MONTH 2014

3 JULY – 31 AUGUST



- The fourth year of our signature dining event
- Sponsored by American Express
- Over **100+** participating restaurants, **20+** events, including international chef series, and the second year of Street Eats (**23,000** visitors)
- Our 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 for Restaurant Month, delivering 8 weeks of coverage
- An extensive social media campaign reaching over **100k** fans of Heart of AKL City

Results

- Fantastic feedback from our consumer and participating businesses
- Spending with participants **+ 21.1%** versus 2013, total **HOTC + 8.6%**
- Transactions with participants **+ 11.3%** vs 2013 total **HOTC + 3.3%**

Channel Reach

Website Total
Visits (2013)
1,250,000
total visits

Unique Web
Visitors (2013)
800,000
unique visitors

 Heart of the
City page
98,500 Likes

 Weekly email
database
32,000
subscribers



WHERE NEXT™ App
18,200 downloads to date

 HeartOfAklCity
10,900
followers

 HeartOfAklCity
1,700
followers

As at October 2014



Lantern Festival



Comedy Festival



Buskers Festival

We sponsor events that will increase visitation and spending with our businesses.

- ArtDego
- Artweek Auckland
- Atamira
- Auckland Seafood Festival
- Big Egg Hunt
- Documentary Edge Festival
- Farmers Santa Parade
- International Buskers Festival
- International Comedy Festival
- International Film Festival
- Lantern Festival
- NZ Fashion Weekend
- NZ Writers Festival
- Taste of New Zealand
- Weird Night Out

Sponsored Annual Events

15 Events
Sponsored



Atamira



Santa Parade

Making the City Centre Safe and Inviting

HEART OF THE CITY AMBASSADORS

A Team of up to 8 Ambassadors across the year, welcome and assist visitors to the city centre.

31,033

Happy customers greeted

100,000

Heart of the City Maps distributed

64

Cruise ships met and
50,000 cruise ship guides distributed



Ambassadors



Gavin

Peter

CITYWATCH

In partnership with Auckland Council, the role of CityWatch is to improve the perception and experience of Safety in the City Centre. In the 8 months to August this year, the team had 9188 call outs - ranging from issues around Begging, Liquor Ban breaches, 'Sleeping' in the city, and issuing permits for Busking.

30

Members

bar WATCH

110

Members

store WATCH

BARWATCH

A communication network of late night city centre venues, working together with NZ Police, and the City Watch team to improve safety in the city at night, currently **30** members.

“ 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

STOREWATCH

A communication network of city retailers working together to reduce retail theft and in partnership with HOTC, NZ Police and **110+** retail businesses.

“ We have benefited a lot from being a part of StoreWatch. Since being a part of this program, we have made a close connection with the stores involved around us and also received heaps of support from the Police. We would 100% recommend StoreWatch to anyone. ”

Sam Shepherd - Rebel Sport Atrium

Monitoring the City Centre's performance

PEDESTRIANS IN THE CITY

This year we've created an interactive website that has made our **24/7** pedestrian counts, located across **17** sites in the city centre, freely accessible to all HOTCity members. Invaluable for monitoring foot traffic trends, assisting business performance , and evaluating impacts resulting from major events and infrastructure upgrades.

109%

Increase in foot traffic on 16 February 2014 at the time of the Lantern Festival and the Sevens Tournament

9,478,302

Pedestrians walked past 210 Queen Street in a 12 month period



Retail Performance

To Year End July 14, Heart of the City results were:

Source: Marketview Ltd.

Spending up **7.5%**

Transactions up **8.8%**

Compared to same time previous year

Vacancy Rates

1.4% Prime office

Vs a long term average of 8.2%*

3.1% Retail

Vs a 20 year average of 4.8%*

2014 Figures

*Source: Colliers International (2014 figures)

Our New City Spaces

Highlights from a year of transformation

FORT STREET STAGE 3

November 2013

Completing the wider Fort Street area precinct's upgrade



UPPER KHARTOUM PLACE

September 2014

Completing the connection between Lorne Street and the Art Gallery, creating a space for people to stop and enjoy.

AGENCY

Auckland Transport and
Auckland Council



FEDERAL STREET

September 2014

A shared space that celebrates one of the city's newest dining precincts.



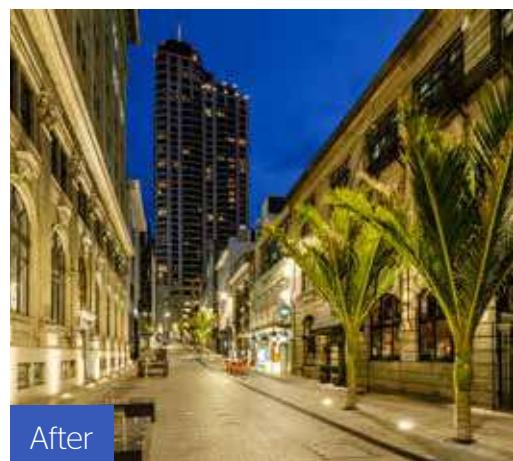
O'CONNELL STREET

September 2014

A shared space that showcases the street's heritage, and now allows the street's businesses to take their dining outside.



Before



After

DALDY STREET & HALSEY STREET LINEAR PARK, STAGE 1

Opened December 2013 & July 2014

AGENCY

Waterfront Auckland



Before

After

SHED 10 REFURBISHMENT QUEENS WHARF

Re-opened 2013

Caters for the cruise industry, as well as add a valuable new event space in the city, showcasing the building's heritage.

AGENCY

Waterfront Auckland



Before



After

GRAFTON GULLY AND BEACH ROAD**SEPARATED CYCLING LANES**

Opened September 2014

Significantly improving access to the City Centre for recreational and commuter cycling.

AGENCY

Auckland Transport and NZTA



Before



After



Contact

Physical Address
Level 2, 26 Lorne St
Auckland City
New Zealand

Postal Address
PO Box 105 331
Auckland
Ph: (09) 379 8000
Fax: (09) 308 1555
info@hotcity.co.nz



HEART OF THE CITY Annual General Meeting

The Nathan Club
51 Galway Street
Britomart
Auckland CBD
22nd October 2014

Minutes

The Chairman Terry Gould declared the meeting open at 6.00pm

1. Apologies

One apology was received from Terry Cornelius.

Terry Gould put the motion that this apology be accepted.

- Motion seconded by Paddy Stafford Bush.
- Motion carried unanimously.

2. Minutes

Terry Gould put the motion that the minutes of the previous AGM held on 30th October 2013 AGM be accepted.

- Motion seconded by Shane McMahon.
- Motion carried unanimously.

3. Chairman's Report

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

4. Financial Report

Jason Copus, Treasurer, spoke to the meeting regarding the Financial Statements for the year end 30th June 2013. Given recent events, the Financial Statements were unable to be completed and therefore unable to be presented to the meeting.

Jason Copus put the motion that:

- the Annual General meeting is unable to approve the Annual Financial Statements in accordance with clause 25.2.3 of the Rules;

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- the Executive Committee is directed to seek an extension from the Registrar of Incorporated Societies for filing the Annual Financial Statements; and
- the Executive Committee is directed to convene a Special General meeting, once the Annual Financial Statements have been completed and audited, for the purposes of approving the Annual Financial Statements prior to filing.
 - Motion seconded by Gary Langsford.
 - Motion carried unanimously.

Approval of 2015/2016 Budget

Jason Copus put the motion that the Annual General Meeting approve that the overall level of funding from the Heart of the City BID Targeted Rate remains at the same level as 2014/2015.

- Motion seconded by Terry Gould.
- Motion carried unanimously.

5. Appointment of Auditor

Terry Gould discussed the proposal that HOTC's audit services for the 2014/2015 financial year should be put up for competitive tender.

Terry Gould put the motion that:

- the Executive Committee is directed to engage in a tender process regarding the supply of audit services and that at least two proposals are received for consideration
- as part of this process, the Executive Committee is directed to make the appropriate final appointment which will best serve the interests of the organisation and its membership
 - Motion seconded by Jason Copus.
 - Motion carried unanimously.

6. Retiring Executive Committee Members

As contained in part 14.5 of our constitution, the following Board members will remain on Heart of the City board as their third anniversary date has not yet been reached:

- Jason Copus
- Gary Langsford

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

Resignations were received from the following Executive Committee members:

- Chris Cherry
- John Courtney
- Terry Gould
- Sarah Hull
- Allan Matson
- Paddy Stafford-Bush
- Shane McMahon

7. Nominations for Executive Committee

Terry Gould told the meeting that one nomination had been duly received from Mr Regan Hall.

In addition, the seven retiring Executive Committee members had also been nominated for re-election.

Part 14.2 of the constitution states there will be no more than eleven voting members of the Executive Committee. Therefore as eight vacancies and eight nominations had been received, those people nominated were deemed to be duly elected.

8. Terry Gould opened the floor for general business.

Matt Ball (Ports of Auckland) made comment about priorities of HOTC spending, particularly in relation to HOTC's Unitary Plan submissions which affect POAL.

Neil Coutts (Camera & Camera) raised the issues around begging & cleanliness in the city centre.

Meeting was declared closed at 6.25pm

Appendix 1

CHAIR REPORT – 2104 ANNUAL GENERAL MEETING

About 6 weeks ago, my intention for this year's Chair's report was to focus almost entirely on Heart of the City's great work and its many achievements for the 2014 year. The events of the past couple of weeks have obviously changed that, so I will begin by updating you as best I can on current events.

And in doing so, I'm obliged to preface that by saying that because there are both current and possible future court proceedings in hand and also because we are still very much in a knowledge gathering phase, the amount of detail I am able to provide is somewhat limited.

The recent termination of Alex Swney's role as CEO of Heart of the City and the associated revelations and allegations surrounding that termination have clearly been extremely disappointing and gravely concerning, not only for myself and my fellow Board members, but I'm sure also for many members and supporters of Heart of the City.

We had trusted Mr Swney and it seems he has let us down. And whilst the disbelief and questioning and having to come to terms with that is still raw, the Board has nevertheless I believe, moved quickly and decisively in order to protect the organization, to stabilise the situation and above all to ensure continuity of the service that Heart of the City provides to downtown Auckland.

Within a day of learning of the allegations of improper invoicing to Heart of the City, the Board moved immediately to terminate Mr Swney's contract. We also decided to appoint an independent firm of forensic accountants to begin a thorough and wide ranging investigation of Heart of the City's finances and transactions. As a matter of urgency, we also resolved to start the process to appoint an interim CEO who could bring an objective focus to maintaining both the ongoing continuity of Heart of the City business, but also the key relationships with various agencies and stakeholders.

MCGRATH NICOL

Forensic accountancy firm McGrath Nicol have had a team on site at Heart of the City offices since 7 October. Their investigation is focusing on specific areas relating to the suggested allegations and will include a review and comment on Heart of the City's internal policies, procedures and risk management.

This process by its nature is very time consuming and while we urgently need to understand the specifics of the alleged activity, this sort of information must also be deliberately and accurately acquired in order to preserve its evidentiary benefit in any future legal proceedings. While a firm date for completion of the investigation has not yet been determined, I am hopeful that McGrath Nicol will be able to provide a preliminary report within the next coming weeks.

In terms of actions that may arise from the McGrath Nicol investigation, the Serious Fraud Office has been advised of the nature of these investigations and will be taking advice from McGrath Nicol as their investigation proceeds. Should the need arise, there is also the possibility for Heart of the City to take civil action. The Board is taking advice on these matters but will require more information before any final determination can be made.

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REVISED BUDGET

Over the past 2 weeks, the Board has continued to be acutely aware of its accountability and responsibilities to both you our members and to our other stakeholders and we realize the absolute importance of maintaining continuity of the work that Heart of the City does on a day to day basis, promoting CBD business.

We have therefore felt it prudent to take a cautionary approach to reviewing the organisation's forward budgets for the balance of the financial year to end of June 2105. We are going through a process of looking at each budget item line by line and adopting a measure of budget restraint, until we can gain a full understanding of the financial situation going forward. We have identified several areas where planned spending can be reviewed, but we also feel that this is a process which should be best carried out under the guidance of the interim Chief Executive.

However, due to timing issues, some immediate decision making has been required, one of which means that the big Santa and his reindeer will not be appearing in his usual place on the Whitcoulls corner on Queen St this coming Christmas. Santa has been the cause of much discussion around the boardroom table now for a number of years as the funding assistance which Heart of the City had traditionally received from other sources, has been progressively withdrawn. This year, the Board has determined that in the best interests of our members and the organization, that sadly Heart of the City simply cannot justify Santa's now significant installation costs of approximately \$180,000. Of course this is just one aspect of Christmas in Queen St and I can confirm that all the other decorations which Heart of the City provides at Christmas will be installed around the CBD as usual.

INTERIM CEO

I have made reference to the appointment of an interim Chief Executive. A little over a fortnight ago the Board instructed a local executive recruitment firm to begin an immediate search for an interim CEO. The initial application stage closed last Friday 17th October and it's fair to say that the fact that 10 very strong applications were received is a testament to the belief that people have in the Heart of the City organization and to its importance in the local business community.

That list of 10 candidates was shortlisted, interviews took place on Monday morning and on Monday afternoon the Board made an appointment. So I am very pleased to be able introduce to you as interim Chief Executive of Heart of the City, Mr David Wright. Mr Wright is a seasoned business professional with good standing in the business community. He has the background, experience and skills which we believe will provide the necessary stability and continuity at Heart of the City over the next 6 months until the position is filled on a permanent basis. And David will introduce himself to you at the end of my report.

ACTIVITIES OVER THE PAST YEAR

And now I would like to change focus to look at some of the many positive things that have happened at Heart of the City this past year – the achievements and the milestones and yes some of the day to day activity which continually helps to make downtown Auckland hum. There are 3 key areas where Heart of the City makes its mark:

1. ADVOCACY or PLACEMAKING

This part of Heart of the City business which is referred to as Advocacy is, in essence, the opportunity to influence "placemaking". This is where Heart of the City can be a voice for

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our members across a wide range of planning and policy areas which we believe has a real effect on the sense of place that we all want downtown Auckland to have. It is very process orientated and generally very time consuming but our involvement is essential in influencing city wide planning for future outcomes for our members. Some examples:

Unitary Plan

A major, ongoing piece of work that will shape the future of the city for at least the next 20 years. Our role in this is critical to secure what's best for the city centre. Following a lengthy submission process, it has now entered the increasingly complex throes of the regulatory process.

Parking in the CBD

Parking in the city is a major concern for our members. Aside from getting the pricing right, we have lobbied hard for an increase in the number of short stay parking spaces over commuter parking, incentivising visitation to the city. Our hard work looks set to be adopted into policy over the coming months.

The Waterfront

We continue to advocate for a waterfront that is accessible to Aucklanders and is a key attraction for tourists. This year we have led the advocacy, in partnership with key agencies, for a wider long term strategy for how the Ports of Auckland might look in the future.

City Centre Advisory Board

This Board oversees the expenditure of the City Centre Targeted Rate - money which is paid by central city ratepayers to be spent on improving the central city amenity. Heart of the City sits on this board and is a key influencer.

The submissions process

Unless we engage in the submissions process your voice will not be heard and it's been a busy year for Heart of the City on this front with submissions being made on:

Local Alcohol Policy and Alcohol Bylaw 2014

Draft Arts and Culture Strategic Action Plan 2014

Building Amendment Bill

Proposed Unitary Plan

Parking Discussion Document

Street Trading and Events Bylaw

Signage Bylaw

Auckland Council Annual Plan

The second key area is...

2. CENTRE MANAGEMENT

Just like a suburban shopping mall, we need to manage the "nuts and bolts" aspect of working to keep the central city doing business as usual. In a bustling CBD , this is no mean feat and needs constant attention and this year we have been very busy :

Street and utility upgrades

The Ultrafast broadband rollout has had a big impact on business and the flow of the city.

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We have worked hard with various parties to make implementation as smooth as possible and reduce disruption to our members.

Safety

Our city must feel safe and be safe. We have worked hard to grow and support our retail and crime prevention projects Storewatch and BarWatch. These are communication networks for retail and late night businesses where we work in with NZ Police. We also continue to work closely with Auckland Council on the CityWatch security guard programme.

Events and filming

The downtown area is a great target for film crews and outside events happening in our patch. We are there to make sure these happen within agreed guidelines so they will not unnecessarily impact on our member businesses.

Monitoring our performance – Pedestrian cameras

We need to measure results and there's no better way than to count the people coming into the CBD. With 17 pedestrian counting cameras across the city, Heart of the City businesses can now freely access our pedestrian count data from our website – invaluable information for our members as well as for those new business thinking about locating here.

3 MARKETING AND EVENTS

This year we took a leap forward in promoting Auckland as a destination. Working in partnership with Council organization ATEED, we led the development of the award winning “AKL - The Show Never Stops” campaign, meaning for the first time there was a single proposition and story for Auckland. We can now leverage and benefit from each other’s limited marketing dollars. As a result, Heart of the City continues to show demonstrable returns to our members. Some examples:

Cruise season

This past year, more than 75 ships, with over 186,000 cruise guests, 50,000 of whom received a Heart of the City ‘Guide to AKL in one day’ - all designed to keep them spending in the city centre.

Winter Campaign – the Show Never Stops

Auckland is such a summer city so winter is when we need to gear up to get people into town. “AKL - The Show Never Stops” was a key feature this winter. Our website received 515,000 visits, and the campaign delivered a 10% increase in spending, year on year, which equates to an additional \$27.2 million in additional spend in downtown Auckland over the 12 weeks in winter.

Where Next App

We launched our “Where Next” smartphone app, which encourages visitors to stay longer and do more. So far we’ve had over 18,000 downloads, with 72% of people recommending the app to others. If you haven’t got it, download it now.

City Deals

A campaign where we ask local businesses to provide special deals that we can offer to the public. This year there were 15,500 deals claimed which is 29% up on 2013.

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Restaurant Month

Now in its fourth year, our signature foodie event is a stand out, with more than 100 participating restaurants. This year we saw a 21% increase in spending with participating restaurants, equating to an additional \$2.8million spend in downtown restaurants.

Artweek

A time to celebrate art in the city centre in our art galleries, public spaces and corporate collections. Over 150,000 copies of the Artweek guide distributed and more than 19 free events in the city centre. This is a hugely popular, feel good event.

Sponsored events

And then there are many events which we give cash sponsorship to ...our model is to seed them, grow them then let them stand on their own two feet after that. Some of these will be well known to many of you : Seafood Festival, Buskers Festival, Santa parade, Comedy Festival, NZ Writers Festival, Taste of New Zealand, Lantern Festival, International Film Festival, NZ fashion Weekend to name a few.

These are all things that make a real difference to downtown Auckland and in a recent letter to us just last week, our key stakeholder Auckland Council acknowledged the importance of Heart of the City to its members and to the wider CBD community.

And I'm sure you'll agree that particularly over the past few years, downtown Auckland has been transformed into a truly international, vibrant and exciting destination and I hope you can now see that it hasn't just happened by accident. Heart of the City has been pivotal in making that happen and the Board wants to ensure that continues into the future.

And speaking of future plans, for some time now the Board has been keen to prioritize better engagement with you our membership and we will be looking to make that happen over the coming year. Not only do we want to let you know what Heart of the City is achieving, but we want to get a better understanding of how you see Heart of City's role going forward, so watch this space.

And what has also been pivotal is the skill and dedication and plain hard work by each and every one of the staff at the HOTC office which has been so crucial to making all this come about. Kate, Tania, Jane, Erin, Lily, Sarah, Angela and Riah – these women have been amazing. The events of a fortnight ago have rocked them back on their heels, but to a person, they have pushed aside the shock and disappointment and stepped up incredibly to keep doing for Heart of the City what they have always done so well. Thank you all so much.

And the other group of people I would personally like to thank is my fellow Board members. In very trying recent circumstances your unified commitment, experience and skill has been vital in keeping the heart beating strong in Heart of the City and for that I am very grateful to you all. We will be dealing with the election of Board members in just a moment and while under the Rules, some of our current Board members are ineligible for re-election tonight, all the other the Board members have put their hand up for a place around the next boardroom table. This is a testament to your resolve to maintaining stability and continuity and seeing that the work is done to take Heart of the City through to the next phase.

In conclusion, I will acknowledge that recent events have been a challenging moment for the organisation, but I want to reassure you, our members and stakeholders, that we will be

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working hard to ensure that Heart of the City continues to deliver these good outcomes for both businesses and visitors to downtown Auckland now and into the future.

ENDS

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