

**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**16 March 2022**

**Subject: HBRIC QUARTERLY UPDATE**

**Reason for Report**

1. This item provides Council with a quarterly update on the activities of Hawke's Bay Regional Investment Company (HBRIC) for the second quarter of the FY2021-22 financial year.

**Financial Reporting**

2. HBRIC's Financial Statements for the half year ending 31 December 2021 are attached to this report.
3. Key Items to note:
  - 3.1. Statement of Financial Performance – Surplus of \$5.2m (excluding fair value movements through other comprehensive income)
  - 3.2. Statement of Financial Performance – \$5.1m of dividend revenue received from Napier Port Holdings Limited (NPHL) in December 2021
  - 3.3. Other Comprehensive Income – Loss of \$33m, driven by a drop in the NPHL share price (loss on revaluation)
  - 3.4. Statement of Financial Position – A reduction in net assets by \$30m due to the drop in NPHL share price
  - 3.5. Net Assets of \$415m as at 31 December 2021.

**Managed Funds**

4. The funds remain under management in compliance with Council's Statement of Investment Policy and Objectives (SIPO).
5. The value of managed funds with HBRIC as at 31 December 2021 amounted to \$48.9m, a movement of approximately +\$1.7m (3.5%) year to date.
6. In December 2021, HBRIC divested \$1.3m from the managed funds after protecting its capital value.

HBRIC Managed Funds Performance Summary					
Fund	01/07/2021 balance	YTD Capital out	31/12/2021 balance	YTD gain / (loss)	YTD % gain / (loss)
Jarden HBRIC	15,631,998 -	500,000	15,805,530	673,532	4.31%
Mercer HBRIC	32,849,937 -	800,000	33,080,690	1,030,753	3.14%
<b>HBRIC Total</b>	<b>48,481,935 -</b>	<b>1,300,000</b>	<b>48,886,220</b>	<b>1,704,285</b>	<b>3.52%</b>

**HBRIC Capital Structure**

7. The Board of HBRIC is continuing to progress the development of a clear capital structure and investment mandate to support the growth of the company, as agreed with Council. When this is finalised, it will be shared with Council.

**FoodEast**

8. HBRIC has invested \$1.7m of its planned \$4m investment, with further capital drawdowns to occur during the life of the investment.
9. The project has encountered construction cost inflation above budget, upon receipt of the final construction tender. This has resulted in a delay to the commencement of construction, while re-design work is undertaken.
10. A further update will be provided in the next quarterly update.

### **Napier Port**

11. In November Napier Port reported on its full financial year ended September 2021.
12. For the year revenue rose 9% to \$109.5m from \$100.4m in the prior year, driven by record log exports of 3.02 million tonnes.
13. Underlying Net Profit after tax increased 7% to \$22m from \$20.5m and Reported Net Profit after tax increased 5.2% to \$23.2m.
14. A final dividend of 4.7 cents per share (cps,) was declared, totalling 7.5 cps for the 2021 financial year, up from 5 cps for the prior year.
15. Napier Port's annual report is available at: <https://www.napierport.co.nz/corporate/annual-reports/>.
16. For the first quarter to December 2021 compared to the same period in the prior year, trade volumes increased 3.4% for bulk cargo led by increased log exports. Containerised cargo volume decreased by 7.7%, principally due to less container repositioning activity and continued container shipping schedule disruption.
17. The share price has fluctuated throughout the year, driven by global/local equity markets and rising interest rates, contrary to the Port's positive underlying operating performance.
18. No. 6 Wharf is more advanced than the original timeline; it's now expected to be operational in the second half of the 2022 financial year and the expected cost has reduced from \$173m to \$179m (previously up to \$190m).
19. Continuation of container-based supply chain and shipping disruptions is expected and there is potential for log export market driven volume volatility during 2022.
20. The Port has introduced robust COVID response plans, including mandatory vaccinations and testing regimes.
21. The kororā sanctuary had a strong 2021-2022 breeding season in 2021 with 13 chicks successfully fledging by the new year, occupying up to eight nesting boxes at one time.

### **HBRIC Name Change**

22. HBRIC received endorsement and feedback from the Māori Committee on 2 February 2022 for a proposal to re name/ rebrand HBRIC to *Te Matau Investments Ltd*.
23. The next step for HBRIC is to develop a brand logo and typography, incorporating the feedback from the Māori Committee. Options will be presented to the Māori Committee and Council when completed.

### **Decision Making Process**

24. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### **Recommendation**

That the Corporate and Strategic Committee receives and notes the *HBRIC Quarterly Update*.

**Authored by:**

**Kishan Premadasa  
MANAGEMENT ACCOUNTANT**

**Approved by:**

**Jessica Ellerm  
GROUP MANAGER CORPORATE  
SERVICES**

**Attachment/s**

- 1 Statement of Financial Performance December 2021
- 2 Statement of Financial Position December 2021