HAWKE'S BAY REGIONAL INVESTMENT COMPANY LTD

2018-19

Annual Report

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Chairman and Chief Executive's Report

The Hawke's Bay Regional Investment Company Ltd (HBRIC) embarked on a significant capital restructuring process in 2019, with Council shareholder agreement to sell a minority shareholding in Napier Port via an Initial Public Offering (IPO) listing on the New Zealand Stock Exchange (NZX).

This process was completed post balance date, with Napier Port listing on the NZX on 20 August 2019. This process has supported restructuring of Napier Port's balance sheet to accommodate the development of a new $170m+ wharf and other capital projects. Additionally in excess of $100m of funds have been released to HBRIC following the dilution of HBRIC's share in Napier Port from 100% to 55%, supporting diversification of Council and HBRIC's investment portfolio. As this transaction occurred post balance date, these outcomes will feature in HBRIC's 2020 financial statements.

The final result for the HBRIC for this year is a net profit after tax of $14.4m.

Dividends paid to Council were $10m, in line with the Statement of Intent.

Napier Port

Napier Port continues to perform strongly with ongoing trade and revenue growth, supporting the regional economy and payment of dividends.

As noted above, during the year a comprehensive restructuring of the capital structure and ownership model for Napier Port was progressed.

Reflecting the ongoing growth of the Port, the carrying value of the asset has been increased to $348m (pre IPO).

The Port continues to have the following strategic challenges to balance its operating performance, growth and exposure to risk:

- An expanding capital requirement (now supported by the IPO proceeds)
- Increasing exposure to key customers
- Increasing competitive pressures and risks from other ports around the country
- Volatility and exposure of the export sector to the NZ dollar cross rate
- Risk of damage from seismic activity, as recently evidenced by two other ports in New Zealand
- Increasing costs and deductibles for insurance cover and restricted availability supply of cover

Forestry review

During the year, HBRIC has been evaluating the merits of investment in the forestry sector to achieve both commercial and Council's broader environmental and social goals for the region. The program of work has focused on identifying the Right Tree for the Right Place for environmental improvement, alongside the commercial viability associated with a range of afforestation options. A report back on findings is due in the coming months.

Governance

During 2019 the Board of HBRIC remained as per the prior financial year, with 3 members, being Rex Graham (Chair), Peter Beaven and Dan Druzianic.

Councillor directors Rex Graham and Peter Beaven receive no directors fees.

The year ahead

Re-investment of proceeds from the Napier Port IPO is currently underway, with the majority of funds to be transferred to Council and the balance retained in HBRIC for placement into diversified managed funds in line with Council's investment policy.

Completion of the Right Tree Right Place project is a key priority, alongside a review of HBRIC's mandate now that the Napier Port IPO has been completed.

REX GRAHAM
CHAIRMAN

BLAIR O'KEEFFE
CHIEF EXECUTIVE

Directors' Report

The Directors hereby present their report and Financial Statements of the Hawke's Bay Regional Investment Company Limited for the year ended 30 June 2019.

Reporting entity

The Hawke's Bay Regional Investment Company Ltd ('HBRIC Ltd') was incorporated in New Zealand on 21 February 2012 and is 100% owned by Hawke's Bay Regional Council ('Council'). The company is domiciled in New Zealand.

The Group financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries, the Port of Napier Limited ('Napier Port') and Napier Port Holdings Limited (NPHL).

Registered office

159 Dalton Street
Napier South
Napier 4110
New Zealand

Basis of consolidation

The consolidated financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries as at and for the year ended 30 June 2019.

Principal activities

Parent company

The Hawke's Bay Regional Investment Company Ltd (HBRIC) currently has one main investments, the 100% ownership of the Port of Napier Ltd (Napier Port).
45% of Napier Port was sold in August 2019.

Subsidiary companies

Port of Napier Limited's principal activities are the commercial operation of Napier Port.

Napier Port Holdings Limited was incorporated 12 June 2019 to act as a holding company of the Port of Napier.

Remuneration of Directors

Remuneration paid to Directors during the year was as follows:

Parent company

P Beaven	HBRC Councillor	$ -
D Druzianic		$ 30,000
R Graham (Chairman)	HBRC Chairman	$ -

Subsidiary companies - Port of Napier Limited and Napier Port Holdings Limited

A MacLeod (Chairman)	$ 90,250
S Moir (Chair Audit & Risk Committee)	$ 48,125
W Harvey	$ 48,125
S Bradford	$ 15,042
C Abeywickrama	$ 30,383
D Puketapu	$ 45,145
E Harvey	$ 7,521
V Tremaine	$ 7,323
R Barker	$ -
B O'Keeffe	$ -

C Abeywickrama and S Bradford retired in the period and E Harvey and V Tremaine were appointed.
HBRC Councillor Rick Barker appointed on June 27 in his capacity as a Coucillor
Blair O'Keeffe (Current CEO of HBRIC) appointed on June 27 unrelated to his capacity as CEO of HBRIC.

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Board committees

As at 30 June 2019 the Board of the Parent Company had no separate committees.

Directors' interests

The company maintains an interests register in which particulars of certain transactions and matters involving the Directors are recorded. These are requirements under the Companies Act 1993. The following notices have been received from Directors disclosing their interests in other companies.

Parent company

Director	Interests declared (as at reporting date)	
R Graham	Hawkes Bay Regional Council 100% Owner of HBRIC	Chairman and Councillor
	Graham Greene Limited	Director
	RGA Holdings Limited	Director
	Fresh New Zealand Limited	Director
	John Morton Limited	Chairman
	Shennong Variety Management Limited	Chairman
	Gladeye Limited	Chairman
	Hawkes Bay Regional Sports Park	Chairman
	Te Aranga Marae	Trustee
P Beaven	Hawkes Bay Regional Council 100% Owner of HBRIC	Councillor
	Waterplus 2008 Limited	Director and Shareholder
	100 Percent Pure NZ Limited	Director and Shareholder
	Pearl Aporo Limited	Director and Shareholder
	Lagoon Trust	Trustee
	NZ Apples and Pears Incorporated	Director
	NZ Pink Lady Growers Association	Independent Chair
	International Pink Lady Alliance Limited	Director
D Druzianic	Moore Stephens Markhams Hawkes Bay Limited	Director
	Bostock New Zealand Limited	Director
	Hawkes Bay District Health Board	Director
	Hawkes Bay Independent Brewery Limited	Director
	Elwood Road Holdings Limited	Director
	Trustee in numerous trusts with shareholdings in companies which may from time to time have interests to be noted.	

Subsidiary companies - Port of Napier Limited and Napier Port Holdings Limited

Director	Interests declared (as at reporting date)	
A Macleod	Optimal Product Limited	Chairman
	Silverstripe Limited	Chairman and Shareholder
	Hold Fast Investments Limited	Chairman
	IHC Board Appointments Committee	Member
	Radium NZ Advisory Board	Member
	Silverstripe Trustee Limited	Director
	Big Brothers Big Sisters Hawke's Bay	Trustee
W Harvey	Excellence in Business Solutions Limited	Director and Shareholder
	Centralines Limited	Director
	Electrical Training Company	Director
	Hawke's Bay Airport Limited.	Director
	Aurororoa Energy	Director
	Eastern Institute of Technology	Council Member
	Fire and Emergency NZ	Director
	New Zealand Gambling Commission	Commissioner
S Moir	The Guardians of NZ Superannuation Fund	Director
	Todd Family Office	Director
	IJAP Limited	Director
D Puketapu	Manawanui in Charge	Chair
	Ngati Porou Holding Company & subsidiaries	Director
	Tamaki Redevelopment Company & subsidiaries	Director
	New Zealand Cricket	Director
	New Zealand Olympic Committee	Director
	Netball Northern Zone	Director
	Amanti Tourism & subsidiary	Director
V Tremaine	Riverland Holdings	Chair
	Statewide Superannuation	Director and Member
	Southern Launch Advisory Board	Director
	Equip Super	Member

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E Harvey	Heartland Bank	Director
	Investore Property	Director
	Stride Property Group	Director
	Kathmandu Holdings	Director
B O'Keeffe	Hawke's Bay Rescue Helicopter Trust	Chair
	Central Economic Development Agency	Director
	Z Energy Limited	Director
R Barker	Hawke's Bay Regional Council	Councillor
	Representation Commission	Commissioner

Directors' insurance

The Company has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity ensures that as far as possible, Directors will not personally incur any monetary loss as a result of actions undertaken by them as Directors. The insurance does not cover liabilities arising from criminal actions.

Remuneration of employees

The number of employees for the Group and Parent, whose total annual remuneration was in the specified bands, is as follows:

Remuneration bands	Group	Parent
$100,000 - 109,999	32	-
$110,000 - 119,999	22	-
$120,000 - 129,999	21	-
$130,000 - 139,999	19	-
$140,000 - 149,999	5	-
$150,000 - 159,999	2	-
$160,000 - 169,999	1	-
$170,000 - 179,999	2	-
$180,000 - 189,999	1	-
$200,000 - 209,999	-	1
$220,000 - 229,999	1	-
$240,000 - 249,999	1	-
$250,000 - 259,999	4	-
$260,000 - 269,999	1	-
$270,000 - 279,999	1	-
$280,000 - 289,999	2	-
$430,000 - 439,999	1	-
$680,000 - 689,999	1	-

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The annual remuneration specified in the above bands includes payments made to staff under both short term and long term staff incentive schemes and redundancy benefits.

Use of company information

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Board operation

Operation of the Board is governed by the Constitution of the Company, and the rules, procedures and guidelines adopted by the Board.

Auditors

The Office of the Auditor-General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.
Audit fees are disclosed within the financial statements.

Donations

The parent company and subsidiary made no donations during the year (2018: nil).

Dividends

During the year the parent company paid fully-imputed ordinary dividends of $10,000,000 (2018: $10,000,000).

Directors' responsibility statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2019 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

Rex Graham (Chairman)	**Dan Druzianic (Director)**
13 December 2019	13 December 2019

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Statement of Profit or Loss
For the year ended 30 June 2019

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Income					
Income from Port operations		96,627	0	89,930	0
Other income		1,964	0	0	0
Dividend income		0	10,000	0	10,000
Operating income	**3**	**98,591**	**10,000**	**89,930**	**10,000**
Expenditure					
Employee benefit expenses		28,478	0	25,937	0
Maintenance expenses		9,032	0	8,877	0
Depreciation & amortisation expense		11,629	0	11,931	0
Transaction costs arising on the proposed issuance of shares	9	4,608			
Other operating expenses	4	18,917	1,104	16,727	517
Operating expenditure		**72,664**	**1,104**	**63,472**	**517**
Operating profit before net financing costs		**25,927**	**8,896**	**26,458**	**9,483**
Finance income	5	-80	-3	0	0
Finance expenses	5	10,796	406	4,353	213
Net finance costs		**10,716**	**403**	**4,353**	**213**
Operating profit after net financing costs		**15,211**	**8,493**	**22,105**	**9,270**
Advance written off by HBRC	19	0	0	13,956	13,956
Loss on sale / impairment of intangible asset	13	0	0	-7,755	-7,755
Loss on sale of land		0	0	-70	-70
Share of gain/(loss) from impairment of investment in joint venture		-1,103	0	-171	0
Profit before taxation		**14,108**	**8,493**	**28,066**	**15,401**
Income tax expense	6	-4	-5,872	5,466	-224
Total tax expense		**-4**	**-5,872**	**5,466**	**-224**
Profit for the period attributable to the Shareholder of the Company		**14,112**	**14,365**	**22,600**	**15,625**

The accompanying notes form part of these financial statements.

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Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Profit after tax attributable to the Shareholder of the Company		14,113	14,365	22,600	15,625
Other Comprehensive Income					
Asset revaluation	9	0	57,000	12,629	52,600
Deferred tax on revaluation of sea defences	9	3,949		-3,134	
Changes in fair value of cash flow hedges		-1,070		-711	
Deferred tax on changes in fair value of		-1,455		199	
Cash flow hedges transferred to the Income statement		6,269	0		0
Effect on consolidation	22	0	0	-1,723	0
Total Comprehensive Income		**21,806**	**71,365**	**29,861**	**68,225**

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity
For the year ended 30 June 2019

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Equity as at beginning of year		205,041	285,729	185,180	227,504
Profit after tax attributable to the Shareholder of the Company		14,111	14,365	22,600	15,625
Other comprehensive income		7,692	56,999	7,260	52,600
Transaction costs arising on proposed issuance of shares	9	-1,812			
Dividends	8	-10,000	-10,000	-10,000	-10,000
Equity as at end of year	9	**215,033**	**347,093**	**205,041**	**285,729**

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 30 June 2019

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
EQUITY					
Share capital	9	177,500	177,500	177,500	177,500
Reserves	9	75,451	170,600	69,772	113,600
Retained earnings	9	-37,918	-1,007	-42,231	-5,371
Total Equity		**215,033**	**347,093**	**205,041**	**285,729**
LIABILITIES					
Non-Current Liabilities					
Derivative financial instruments	21	0	0	4,723	0
Borrowings	21	0	0	86,586	0
Deferred tax liabilities	6	16,128	0	21,028	0
Provisions for Employee Entitlements	12	421	0	421	0
Lease Liabilities		785			
Total Non-Current Liabilities		17,334	0	112,758	0
Current Liabilities					
Cash and cash equivalents	18,21	0	0	0	0
Derivative financial instruments	21	6,269	0	476	0
Borrowings	21	86,500	6,500	5,700	5,700
Taxation payable		5,268	0	1,396	0
Advances from shareholder	19,23	0	0	0	0
Trade & other payables	11	12,959	1,221	8,703	176
Lease Liabilities	7	197			
Total Current Liabilities		111,193	7,721	16,275	5,876
TOTAL LIABILITIES		**128,527**	**7,721**	**129,033**	**5,876**
TOTAL EQUITY & LIABILITIES		**343,560**	**354,814**	**334,074**	**291,605**
ASSETS					
Non-Current Assets					
Property, plant & equipment	14,7	313,530	0	310,343	0
Investment property	16	7,970	0	7,285	0
Investment in joint venture	17	0	0	823	0
Intangible assets	13	1,010	0	1,483	0
Financial assets	15	0	348,000	0	291,000
Derivative financial instruments	21	0	0	0	0
Total Non-Current Assets		322,510	348,000	319,934	291,000
Current Assets					
Inventories		0	0	0	0
Trade & other receivables	10	15,817	2,633	13,651	281
Cash and cash equivalents	18,21	4,841	3,790	265	100
Current tax asset	6	391	390	224	224
Derivative financial instruments	21	0	0	0	0
Total Current Assets		21,050	6,814	14,140	605
TOTAL ASSETS		**343,560**	**354,814**	**334,074**	**291,605**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2019

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		96,445	5	89,456	0
Dividends received		0	10,000	0	10,000
GST received (net)		421	421	16	16
Taxes received		0	0	2	2
Subvention received		0	5,708	0	177
Interest received		3	3	0	0
		96,869	16,137	89,474	10,195
Cash was applied to:					
Payments to suppliers & employees		-53,660	-868	-52,840	-631
Interest paid		-4,050	-20	-4,583	-226
GST paid (net)		9		-192	0
Taxes paid		1,305	0	-6,321	0
		-56,396	-888	-63,936	-857
Net Cash Flows from Operating Activities	18	**40,473**	**15,249**	**25,538**	**9,338**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of assets		572	260	387	200
Third party contributions for purchase of intangibles		0	0	0	0
		572	260	387	200
Cash was applied to:					
Purchase of assets		-16,532	-2,618	-21,374	0
Purchase of intangibles		0	0	-79	-79
Purchase of intangibles on behalf of third parties		0	0	0	0
Capitalised interest		0	0	-228	0
Investment in associate		-51	0	-60	0
		-16,583	-2,618	-21,741	-79
Net Cash Flows from Investing Activities		**-16,011**	**-2,358**	**-21,354**	**121**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from external loans		0	0	5,700	300
Proceeds from shareholder loan		6,500	6,500	0	0
Advances from shareholder		0	0	0	0
		6,500	6,500	5,700	300
Cash was applied to:					
Transaction costs arising on proposed share issuances		-3,946			
Repayment of external loans		-12,301	-5,700	0	0
Repayment of Lease Liability		-139	0	0	0
Dividends paid		-10,000	-10,000	-10,000	-10,000
		-26,386	-15,700	-10,000	-10,000
Net Cash Flows from Financing Activities		**-19,886**	**-9,200**	**-4,300**	**-9,700**
Net Increase / (Decrease) in Cash & Cash Equivalents		**4,576**	3,691	**-116**	**-241**
Opening cash & cash equivalents		265	100	381	341
Closing Cash & Cash Equivalents		**4,841**	**3,791**	**265**	**100**

The accompanying notes form part of these financial statements.

Note 1: General Information

1.1 Reporting Entity

The Hawke's Bay Regional Investment Company Limited (`HBRIC Ltd') is a wholly owned subsidiary of Hawke's Bay Regional Council formed for the purpose of holding investments in subsidiary organisations. The company was incorporated on 21 February 2012.

The Group financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries, the Port of Napier Limited ('Napier Port') and Napier Port Holdings Limited (NPHL).

HBRIC Ltd is considered a Council Controlled Trading Organisation on the basis that it operates for the purpose of making a profit, and is therefore classified for accounting purposes as a for-profit entity.

The financial statements of HBRIC Ltd and the Group are for the period ended 30 June 2019. The financial statements were initially authorised for issue by the HBRIC Board of Directors on 30 September 2019. As explained in Note 25, the financial statements have been amended and these were authorised for issue by the HBRIC Board of Directors on 13 December 2019.

1.2 Basis of Preparation

The financial statements of HBRIC Ltd and the group have been prepared in accordance with generally accepted accounting practice in New Zealand (`NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards (`NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for-profit entities. These financial statements comply with International Financial Reporting Standards.

The statements have been prepared on a historic cost basis, except for sea defences, investment properties and derivative financial instruments which are measured at fair value.

The Group's functional currency is New Zealand dollars and the statements have been presented in thousands of dollars ($'000) exclusive of New Zealand Goods and Services Tax (GST) except for trade accounts payable and receivable, which are stated at GST inclusive amounts.

1.3 New Standards Adopted and Pronouncements Not Yet Adopted

The following new standards have been adopted and applied by the Group for the first time this financial reporting period commencing 1 July 2018:

NZ IFRS 9 Financial Instruments
The Group has applied NZ IFRS 9 retrospectively and has elected not to restate and comparative information except for hedge accounting which was adopted prospectively. Accounting policies have been changed to reflect the principles in the standard but, resulted in no material adjustments to amounts recognised in the financial statements.

Classification and measurement
The Group classifies its financial assets and financial liabilities in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or though profit or loss), and
- Those to be measured at amortised costs.

The classification and measurement of financial instruments has not resulted in any reclassification between measurement categories for the Group's financial assets and liabilities. Derivative financial instruments that are in cash flow hedge relationships remain measured at fair value through other comprehensive income, and other financial instruments (including cash and

[handwritten initials]

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cash equivalents (if any) trade and other receivables and loans and borrowings) are measured at amortised cost.

Forward exchange contracts and options and interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward exchange contracts and options is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

Impairment
Under NZ IFRS9, on initial recognition of a financial asset, the Group assesses on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortised costs. At each reporting date, the credit risk on a financial asset, apart from trade receivables, is assessed to determine whether there has been a significant increase in the credit risk. In assessing whether there has been a significant increase in credit risk, the Group considers both forward looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. For trade receivables, the simplified approach to measuring expected credit loss is adopted, which uses a lifetime expected loss allowance.

Based on an assessment carried out, the impairment loss arising on financial assets was immaterial. As a result, there have been no measurement changes required to the financial statements by NZ IFRS 9.

Under the previous accounting policy, in accordance with NZ IAS 39, trade receivables were recognised initially at fair value and subsequently measured at amortised cost and the carrying value of trade receivables were reduced to the estimated recoverable amount when collection was no longer probable.

Hedging
Interest rate swaps in place as at 1 July 2018 qualify as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and are therefore treated as continuing hedges, as at that date.

NZ IFRS 15 Revenue from Contracts with Customers
The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers from 1 July 2018, adopting the new rules retrospectively. Accounting policies have been changed to reflect the principles in the standard but, resulted in no material adjustments to amounts recognised in the financial statements. Accordingly, The Group has not been required to adjust comparatives or present a third balance.

NZ IFRS 16 Leases
The Group has elected to early adopt NZ IFRS 16 Leases. In accordance with the transition provisions in NZ IFRS 16 the new rules have been adopted
retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2018. Comparative information has not been restated.

On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the
principles of NZ IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in
each lease which is immaterially different from the incremental borrowing rate. The weighted average interest rate applied to lease liabilities on 1 July 2018 was
6.1%.

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The difference between the lease commitments disclosed at 30 June 2018 of $1,311,000 and the lease liability on initial recognition on 1 July 2018 of
$1,123,000 is due to discounting the operating lease commitments

Right-of use assets within Property, Plant and Equipment were measured at the amount equal to the lease liability, at the transition date of $1,123,000. The net impact on retained earnings on 1 July 2018 was $nil.

In applying NZ IFRS 16, the Group has continued to account for lease payments on operating leases with a lease term of 12 months or less in the income statement
on a straight-line basis over the lease term

New standards and interpretations not yet adopted

There are no other standards that are not yet effective that have been early adopted by the Group and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable transactions

1.4 Use of Judgements and Estimates

In the application of NZ IFRS, the Board is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements are as follows:

- Valuation of sea defences (Note 14)
- Valuation of financial instruments (Note 21)
- Estimation of useful lives (policy on depreciation)
- Deferred taxes (Note 6)

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Note 2: Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these group financial statements are set out below.

2.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hawke's Bay Regional Investment Company Ltd (`HBRIC Ltd') and its subsidiaries (as outlined in Note 15) as at and for the period ended 30 June each year ('the Group').

(2.1.1) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

2.2 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently remeasured each balance sheet date at amortised cost using the effective interest method less any lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Historically throughout a diverse set of economic circumstances the Group have not been exposed to any material credit losses. The Group have, therefore, concluded that the expected loss rates including any forward-looking element for trade receivables under NZ IFRS 9 are immaterial and do not warrant an adjustment to the loss allowance on transition.

2.3 Plant, Property and Equipment

(2.4.1) *Operational Assets*

Tugs, cranes and cargo and administration buildings (all Napier Port assets) are stated at deemed cost based on valuations performed as at 30 September 2005 and subsequent additions at cost, less subsequent accumulated depreciation. All other operational assets are accounted for at the historical cost of purchased Property, Plant and Equipment less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Sea Defences are measured at fair value, based on periodic valuations by suitably qualified and experienced professionals.

The costs of asset constructed by the group include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

(2.4.2) Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that future economic benefits embodied with the item will flow to HBRIC Ltd or the group and the cost can be measured reliably. All

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other costs are recognised in the income statement as an expense during the financial period in which they are incurred.

(2.4.3) Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the income statement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(2.4.4) Other Adjustments

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to the accumulated balance in equity.

2.4 Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is initially recognised at cost. At each balance sheet date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the income statement for the period in which it arises.

2.5 Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group accounts for its joint venture interest in the financial statements using the equity method which requires the initial investment to be recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. The profit or loss of the Group includes its share of the profit or loss of the investee.

2.6 Financial Assets

The classification depends on the purpose for which the investments were acquired or originated. Designation is to be re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

(i) Classification

The Group classifies its financial assets in the following measurement categories:
• those to be measured subsequently at fair value (either through OCI or through profit or loss), and
• those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
The group reclassifies debt investments when and only when its business model for managing those assets changes
(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2.7 Intangible Assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives of between 3 to 10 years.

2.8 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the comprehensive income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of asset and are recognised in the income statement.

2.9 Depreciation and Amortisation

Depreciation is provided on all tangible property, plant and equipment other than freehold land capital dredging, at rates calculated to allocate the assets' cost less estimated residual value over their useful lives.

Asset Category	***Years***
Site Improvements	10 - 50
Vehicles, Plant & Equipment	3-25
Floating Plant	30
Maintenance Dredging	8
Wharves & Jetties	10-80
Buildings	10-60
Sea Defences	100-200

Depreciation on crane assets is calculated on a unit-of-production basis with estimated useful lives of 33,000-36,000 operating hours.

Land and capital dredging are not depreciated as they are considered to have indefinite useful lives.

Impairment
Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed from impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

2.10 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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2.11 Borrowings

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transactions costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of the loan facility are amortised over the term of the loan.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense when incurred except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as a part of the cost of that asset.

2.12 Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

2.13 Employee Benefits

Short-term employee benefits including salaries and wages, annual leave and contributions to superannuation schemes are recognised when they accrue to employees and are measured at undiscounted cost.

Long-term employee benefits including long service leave and retirement gratuities are recognised at the present value of the Group's obligation at balance sheet date.

2.14 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense

Provisions are not recognised for future operating losses.

2.15 Revenue Recognition

Port operations services are a series of distinct performance obligations for the provision of marine, berthage and port infrastructure services to the Group's shipping customers as vessels berth which are accounted for as a single performance obligation. Revenue is recognised overtime using the percentage of completion method.

Revenue is measured based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer.

Investment property lease income is recognised on a straight-line basis over the period of the lease term.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Government grants are recognised as income when eligibility has been established by the grantor agency.

2.16 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, credit risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

The Group enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant and equipment and when payment is denominated in foreign currency.

Interest rate swaps are entered into to manage interest rate risk exposure.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security in not required for financial instruments subject to credit risk.

2.17 Accounting for Derivative Financial Instruments and Hedging Activities

Accounting policies: Derivatives

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments.

(ii)Hedge ineffectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Forward contracts

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

Interest rate swaps

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was considered to be 100% effective.
Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit/debit value adjustment on the interest rate swaps which is not matched by the loan, and

- differences in critical terms between the interest rate swaps and

loans. **2.18 Foreign Currencies**

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance sheet date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these are included in the income statement.

2.19 Changes in Accounting Policies

NZ IFRS 9, 15 and 16 have been newly adopted in the FY19 year. There have been no other changes in accounting policies.

Note 3: Income

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Operating income					
Income from Port operations		96,627	0	89,865	0
Property operations		1,964	0	65	0
Dividend income		0	10,000	0	10,000
Total operating income		**98,591**	**10,000**	**89,930**	**10,000**

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Note 4: Other Expenses

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Items Included within Other Operating Expenses					
Auditors' fees paid to Audit New Zealand for audit of financial statements		28	28	20	20
Auditors' fees paid to Ernst & Young for audit of subsidiary's financial stements		148	0	106	0
Auditors' fees paid to Ernst & Young for other services (see below)		732			
Directors' fees		322	30	469	153
Operating leases		0	0	165	0
Bad debts		0	0	0	0
Fair value (gain)/loss on investment property		-685	0	-474	0
Asset retirement expenses		-135	0	135	0
Net (profit)/loss on sale of property, plant and equipment		49	0	193	0

During the year, Port of Napier Limited paid Ernst & Young $5,000 for remuneration benchmarking (a non-assurance service) and $727,000 as investigating accountant in relation to the public disclosure statement and register entry issued as part of the IPO (an assurance service)

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Note 5: Finance Income and Expenses

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Interest income		-80	-3	0	0
Total finance income		**-80**	**-3**	**0**	**0**
Interest expense on borrowings		4,800	406	4,581	213
Termination of interest rate swaps		6,269			
Less: Interest expense capitalised to PPE		-273	0	-228	0
		10,796	406	4,353	213
Fair value (gain)/loss on interest rate swaps		0	0	0	0
Total finance expenses		**10,796**	**406**	**4,353**	**213**
Net finance costs		**10,716**	**403**	**4,353**	**213**

Note 6: Taxation

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Income tax expense					
Net profit before taxation		14,109	8,493	28,066	15,401
Income tax on the surplus for the year @ 28%		3,951	2,378	7,858	4,312
Adjustment to prior year taxation		-5,491	-5,483	-150	0
Tax effect of income not recognised for accounting		0	0	-3,908	-3,908
Exempt dividends received		0	-2,800	0	-2,800
Tax effect of non-assessable items		-192	0	-569	0
Taxation effect of non deductible items		1,728	33	2,234	2,171
Income tax expense		**-4**	**-5,872**	**5,465**	**-225**
The taxation charge is represented by:					
Current taxation		7,885	-389	6,482	-224
Deferred taxation		-2,406	0	-1,016	0
Adjustments to current tax in prior periods		-5,483	-5,483		
Income tax expense reported in income statement		**-4**	**-5,872**	**5,466**	**-224**
Deferred tax liability					
Opening balance		-21,028	0	-18,980	0
Adjustment prior year provision		0	0	5	0
Deferred portion of current year tax expense		2,406	0	882	0
Amounts charged or credited direct to equity		2,494	0	-2,935	0
Closing balance		**-16,128**	**0**	**-21,028**	**0**
Deferred taxation is represented by:					
Accelerated tax depreciation		-9,289	0	-23,138	0
Fair value gains/(losses) on derivatives		1,756	0	1,455	0
Other		-8,595	0	655	0
		-16,128	**0**	**-21,028**	**0**
Current tax asset					
Current tax asset is represented by:					
Tax receivable		0		0	0
Subvention receivable		389	389	224	224
Current tax asset reported in balance sheet		**389**	**389**	**224**	**224**
Imputation credit account					
Imputation credits available for use in subsequent periods		18,271	1,111	23,623	1,109

The company lodged an application for a binding ruling in relation to the $19.495m the loss of sale of the RWSS intangible asset matter with the Inland Revenue Department in September 2018. The tax treatment of a loss was approved and as such the company received a subvention payment of 28% of this amount from Napier Port, totalling $5.708m

Due to the uncertainty, the deduction for the loss in relation to the RWSS was not recognised last year, the tax effect of the additional tax loss has been recognised as an adjustment to current tax of $5,483k in the current year.

Note 7: Leases

As a Lessee

	2019 $000
Right-of-use assets included in plant and equipment	
Balance at 1 July	1,123
Depreciation	-159
Balance at 30 June	**964**

Lease liabilities	
Balance at 1 July	1,123
Interest Expense	47
Lease payments - cash	-188
Balance at 30 June	**982**

Lease liabilities	
Current	197
Non-current	785
	982

The group leases plant and equipment for port operations typically for fixed periods of 5 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Accounting Policies:
The group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term operating leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease.

On initial recognition lease liabilities are recognised at the net present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the statement of financial position and are subsequently measured on the same basis.

As Lessor

The Group leases land and buildings to port users for terms of 1-30 years. The Group manages the risk associated with leased land and buildings by having formal contracts which include obligations on tenants to observe relevant laws, regulations, port operating requirements, and the right to conduct contaminant testing and require reinstatement to agreed standards

At balance date the following operating lease payments were receivable by the Group

	2019 $000	2018 $000
Receivable within one year	1,660	1,902
Between one and two years	1,309	1,322
Between two and five years	3,919	3,927
Over five years	8,806	10,107
	15,694	17,258

Accounting policies:
Lease income from operating leases is recognised as income on a straight-line basis over the term of the lease.

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Note 8: Dividends

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
2019 interim dividend paid - 0.0 cents per share (2018: 1.6901 cps)		0	0	3,000	3,000
2019 final dividend paid - 5.6338 cents per share (2018: 3.9437 cps)		10,000	10,000	7,000	7,000
Dividends paid		**10,000**	**10,000**	**10,000**	**10,000**

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Note 9: Capital and Reserves

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Share Capital					
Issued and paid up capital		177,500	177,500	177,500	177,500
177,500,000 ordinary shares (2018: 177,500,000 shares)		177,500	177,500	177,500	177,500

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Retained Earnings				
Opening Balance	-42,233	-5,371	-53,111	-10,996
Other movement	2,013			
Profit for the period	14,113	14,365	20,880	15,625
Transaction costs arising on proposed issuance of shares	-1,811			
Dividends	-10,000	-10,000	-10,000	-10,000
Closing Balance	-37,918	-1,006	-42,231	-5,371
Hedging Reserve				
Opening Balance	-1,731		-1,216	
other movements	-2,013			
Changes in fair value net of deferred tax	3,744		-514	
Closing Balance	0	0	-1,730	0

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Revaluation Reserve				
Opening Balance	71,502	113,600	62,007	61,000
Revaluation net of deferred tax	3,949	57,000	9,495	52,600
Closing Balance	75,451	170,600	71,502	113,600

The revaluation reserve for the Parent relates to the revaluation of the shares in Port of Napier Limited.
The revaluation reserve for the Group relates to the revaluation of the port sea defences.

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Total Reserves	75,451	170,600	69,772	113,600
Total Equity	**215,033**	**347,093**	**205,041**	**285,729**

Note : Some adjustments have been made to the movement in hedging reserves and retained earnings for the historic effect on consolidation of transfer of the Port of Napier Limited to the Parent and previous period timing adjustments. See also note 22.

Costs incurred in relation to equity raising

The Group has incurred total transaction costs of $6,419,000 during the year related to the proposed initial public offering and listing of Napier Port Holdings Limited equity securities on the New Zealand Stock Exchange. As at 30 June 2019 Management have applied judgement to allocate these transaction costs between incremental costs that are directly attributable to issuing new shares and should be deducted from equity ($11,000), costs that relate to the share market listing or are otherwise not incremental and directly attributable to issuing new shares which should be recorded as an expense in the income statement ($3,068,000), and joint costs that relate to both share issuance and listing ($3,340,000). The joint costs were required to be allocated between equity and expense on a rational basis and Management have applied judgement in determining this allocation. These judgements resulted in incremental costs of $1,811,000 included in Share Capital within Equity and costs of $4,608,000 being expensed in the Income Statement.

Note 10: Trade and Other Receivables

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Trade and other receivables					
Trade receivables		13,230	2,618	13,277	265
Accruals and prepayments		2,587	16	375	17
Total trade and other receivables		**15,817**	**2,634**	**13,651**	**281**
The ageing of trade receivables at reporting date is set out below:					
Not past due		8,630	2,618	10,367	265
Past due 0 - 30 days		3,920	0	2,415	0
Past due 30 - 60 days		616	0	397	0
Past due > 60 days		64	0	98	0
		13,230	**2,618**	**13,277**	**265**

The receivables carrying value is equivalent to the current fair value given their short term nature.

No receivables past due are considered impaired.

Note 11: Trade and Other Payables

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Trade and other payables					
Trade payables		4,777	1,206	4,025	157
Trade accruals		5,328	15	1,994	20
Employee entitlement accruals		2,853		2,685	
Total trade and other payables		**12,958**	**1,221**	**8,703**	**176**

The accounts payable carrying value is equivalent to the current fair value.

Employee entitlement accruals also include staff performance incentive payments due.

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Note 12: Provisions for Employee Entitlements

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Non-current					
Provisions for employee entitlements		421	0	421	0
Provisions for employee entitlements		**421**	**0**	**421**	**0**
Provisions for non-current employee entitlement					
Balance at beginning of year		421	0	374	0
Additional provision made		81	0	88	0
Amount utilised		-81	0	-41	0
Balance at end of year		**421**	**0**	**421**	**0**

The provision for employee entitlements relates to employee benefits such as gratuities and long service leave.

The provision is affected by a number of estimates, including the expected length of service of employees, the timing of benefits being taken and also the expected increase in remuneration and inflation effects.

Most of the liability is expected to be incurred over the next 2-3 years.

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Note 13: Intangible Assets

	Opening Cost $000	Additions $000	Transfer/ Disposals/ Impairment $000	Closing Cost $000	Opening Accum Amortisation $000	Current Year Amortisation $000	Transfer/ Disposals $000	Closing Accum Amortisation $000	Book Value $000
Group									
Year ended 30 June 2019									
Computer software	6,606	38	0	6,644	5,123	511	0	5,634	1,010
Development expenditure	0	0	0	0	0	0	0	0	0
	6,606	**38**	**0**	**6,644**	**5,123**	**511**	**0**	**5,634**	**1,010**
Year ended 30 June 2018									
Computer software	6,190	416	0	6,606	4,403	720	0	5,123	1,483
Development expenditure	7,826	29	-7,855	0	0	0	0	0	0
	14,016	**445**	**-7,855**	**6,606**	**4,403**	**720**	**0**	**5,123**	**1,483**

	Opening Cost $000	Additions $000	Transfer/ Disposals/ Impairment $000	Closing Cost $000	Opening Accum Amortisation $000	Current Year Amortisation $000	Transfer/ Disposals $000	Closing Accum Amortisation $000	Book Value $000
Parent									
Year ended 30 June 2019									
Computer software	0	0	0	0	0	0	0	0	0
Development expenditure	0	0	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Year ended 30 June 2018									
Computer software	0	0	0	0	0	0	0	0	0
Development expenditure	7,826	29	-7,855	0	0	0	0	0	0
	7,826	**29**	**-7,855**	**0**	**0**	**0**	**0**	**0**	**0**

Note 14: Property, Plant and Equipment

	Opening Cost $000	Reval/ Additions $000	Transfer/ Disposals $000	Adjustment on Consol. $000	Closing Cost $000	Opening Accum Depreciation $000	Current Year Depreciation $000	Transfer/ Disposals $000	Closing Accum Depreciation $000	Book Value $000
Group										
Year ended 30 June 2019										
Land	38,656	0	0	0	38,656	0	0	0	0	38,656
Sea defences	87,999	122	0	0	88,121	308	360		668	87,453
Buildings	28,639	62	12		28,713	10,367	697	0	11,064	17,649
Site improvements	61,298	2,083	-1,527		61,854	21,819	1,817	0	23,636	38,218
Dredging	16,623	0	1,740		18,363	5,683	753	0	6,436	11,927
Wharves & jetties	46,609	778	41		47,428	9,109	620	0	9,729	37,699
Vehicles, plant & equipment	115,135	4,080	-484		118,731	42,792	6,871	-578	49,085	69,646
Work in progress	5,462	13,215	-6,395		12,282	0	0	0	0	12,282
	400,421	**20,340**	**-6,613**	**0**	**414,148**	**90,078**	**11,118**	**-578**	**100,618**	**313,530**
Year ended 30 June 2018										
Land	34,809	4,247	-400	0	38,656	0	0	0	0	38,656
Sea defences	76,711	11,288	0	0	87,999	1,467	471	-1,630	308	87,691
Buildings	27,769	870	0	0	28,639	9,455	912	0	10,367	18,272
Site improvements	58,891	2,407	0	0	61,298	19,664	2,155	0	21,819	39,479
Dredging	14,891	1,732	0	0	16,623	4,222	905	556	5,683	10,940
Wharves & jetties	45,186	1,423	0	0	46,609	8,373	736	0	9,109	37,500
Vehicles, plant & equipment	102,303	14,928	-2,096	0	115,135	36,008	8,378	-1,594	42,792	72,343
Work in progress	6,839	-1,377	0	0	5,462	0	0	0	0	5,462
	367,399	**35,518**	**-2,496**	**0**	**400,421**	**79,189**	**13,557**	**-2,668**	**90,078**	**310,343**

	Opening Cost $000	Reval/ Additions $000	Transfer/ Disposals $000	Adjustment on Consol. $000	Closing Cost $000	Opening Accum Depreciation $000	Current Year Depreciation $000	Disposals $000	Closing Accum Depreciation $000	Book Value $000
Parent										
Year ended 30 June 2019										
Land	0	0	0	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Year ended 30 June 2018										
Land	400	0	-400	0	0	0	0	0	0	0
	400	**0**	**0**	**0**	**400**	**0**	**0**	**0**	**0**	**400**

Note 15: Investment in Subsidiaries

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Financial assets					
Fair value through equity investments	15(a)	0	348,000	0	291,000
Total	15(b)	**0**	**348,000**	**0**	**291,000**
Less current portion		0	0	0	0
Non-current portion		**0**	**348,000**	**0**	**291,000**

Note 15(a)

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Fair value through equity investments					
At beginning of year		0	291,000	0	238,400
Additions		0	0	0	0
Revaluation surpluses / (deficits)		0	57,000	0	52,600
(Disposals)		0	0	0	0
At end of year		**0**	**348,000**	**0**	**291,000**
Less current portion		0	0	0	0
Non - current portion		**0**	**348,000**	**0**	**291,000**
Fair value through equity investments include:					
Shares in Port of Napier Limited	15(c)	0	348,000	0	238,400
		0	**348,000**	**0**	**238,400**

Note 15(b)

There were no impairment provisions on investment financial assets in the current period.

Note 15(c)

HBRIC Ltd acquired 100% of the shares in Port of Napier Ltd from Hawke's Bay Regional Council effective from 25 June 2012 for total consideration of $ 177.4 million, paid for by way of a subscription to 177,400,000 ordinary shares in the capital of HBRIC Ltd at the value of $1 per share.

The investment in Port of Napier Ltd is measured at fair value based on the independent valuation approved by the HBRIC Ltd Board of Directors on 5 August 2019.
A review of this valuation was commissioned to determine whether the investment in Port of Napier Ltd is appropriately valued at fair value as at 30 June 2019. Having reviewed this report the HBRIC Ltd Directors considered that a revaluation of its shareholding in the Port of Napier Ltd was required, using a PWC commissioned revaluation, resulting in an increase of $57m to $348m.
Post balance date, 45% of HBRIC's shareholding in Napier Port was listed on the NZX.

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Note 16: Investment Properties

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Investment properties					
Land and building		7,970	0	7,285	0
Total investment properties		**7,970**	**0**	**7,285**	**0**
Balance at beginning of year		7,285	0	2,860	0
Additions		0		3951	
Disposals		0	0	0	0
Transfer to property, plant & equipment		0	0	0	0
Net gain/(loss) from fair value adjustments		685	0	474	0
Balance at end of year		7,970	0	7,285	0

Investment properties were independently valued at 30 September 2018 by a registered valuer with relevant experience of the property type and location.

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Note 17: Investment in Joint Venture

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Investment in joint venture		**0**	**0**	**823**	**0**
Movements in the carrying value of joint venture					
Opening balance		823	0	884	0
New investment		280	0	110	0
Share of recognised revenues and expenditure		-64	0	-39	0
Impairment		-1,039			
Provision		0		-132	
Balance at end of year		**0**	**0**	**823**	**0**
Summarised financial information of joint venture					
Assets		2,882	0	3,292	0
Liabilities		-358	0	-236	0
Net Assets 100%		2,524	0	3,056	0
Port of Napier Limited share (33.3%)		841	0	1,019	0
Less provision		-841	0	-196	0
		0	0	823	0
Revenues		-74	0	226	0
Net profit after tax		-193	0	-21	0
Port of Napier Limited share (33.3%)		-64	0	-7	0

Longburn Intermodal Freight Hub Limited (LIFH) was set up as a joint venture to develop a facility at Longburn near Palmerston North to provide container storage and logistics solutions. The net assets of LIFH are pre any impairment consideration in their individual statutory financial statements.

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Note 18: Cash and Cash Equivalents

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Cash and cash equivalents					
Cash and cash equivalents		4,841	3,791	265	100
Bank overdraft		0	0	0	0
Reconciled to Cash Flow Statement		**4,841**	**3,791**	**265**	**100**

Reconciliation of Surplus after Taxation to Net Cash Flows from Operating Activities

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Surplus after taxation	14,113	14,365	22,600	15,625
Add non-cash items:				
Fair value (gains)/losses	-685		-474	0
Fair value movement on cash flow hedges reclassified to the income statement	6,269			
Depreciation and amortisation	11,629	0	11,509	0
Advance written off by HBRC	0	0	-13,956	-13,956
Impairment of assets	0	0	555	0
Loss on sale of assets	0	0	7,825	7,825
Adjustment for sale of assets in receivables	12	0	230	230
Share of loss of equity accounted investee	1,103	0	171	0
Deferred tax	-2,406	0	-1,016	0
Total non-cash items	15,922	0	4,843	-5,902
(Deduct)/add other adjustments:				
Net (profit)/loss on sale of PPE	48	0	146	0
Effect on consolidation	0	0	201	0
Transaction costs arising on proposed issuance of shares	4,608			
(Decrease)/increase in non-current provisions	0	0	-397	0
Total other adjustments	4,656	0	-50	0
Movements in working capital:				
Increase/(decrease) in accounts payable	4,249	1,043	283	-111
(Increase)/decrease in receivables	-2,170	6	-2,094	-230
(Increase)/decrease in tax receivables	3,703	-165	-44	-44
(Increase)/decrease in inventories	0		0	0
Total movements in working capital	5,782	884	-1,855	-385
Net Cash Inflow from Operating Activities	**40,473**	**15,249**	**25,538**	**9,338**

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Note 19: Related-Party Disclosures

The parent entity in the group structure is HBRIC Ltd, which is 100% owned by Hawke's Bay Regional Council (HBRC). Other related parties include Port of Napier Limited and Napier Port Holdings Limited which are both subsidiaries of HBRIC Ltd.

The group undertakes transactions with HBRC and its related parties, all of which are carried out on a commercial basis. During the period, no material transactions were entered into with related parties except as disclosed below.

Certain directors of the group companies are also directors of other companies with whom the group companies transact. All such transactions are carried out on a commercial basis.

Transactions between the HBRIC Ltd Group and parent entity HBRC

HBRIC Ltd group entities entered into the following transactions with HBRC:

	18/19 $000	**17/18 $000**
Sales of goods and services	0	0
Purchases of goods and services	53	55
Payment of interest	386	0
Payment of dividends	10,000	10,000

HBRIC Ltd group entities entered into the following subvention payments with HBRC, noting that subvention payments were made for the tax effect of the losses transferred.

	18/19 $000	**17/18 $000**
Subvention payments	144	5

HBRIC Ltd group entities have the following year end balances arising from sales/purchases of goods and services with HBRC:

	18/19 $000	**17/18 $000**
Intrabusiness receivables	0	0
Intrabusiness payables	-448	-59

The HBRIC Ltd parent company provided a loan facility to HBRIC Ltd of which the following amounts were drawn down:

	18/19 $000	**17/18 $000**
Loan drawn down	6,500	0

Other transactions between members of the HBRIC Ltd group entities and HBRC were as follows:

Transactions between the parent company and subsidiary

The following transactions were entered into between the HBRIC Ltd parent company and its subsidiary the Napier Port:

	18/19 $000	**17/18 $000**
Dividends received	10,000	10,000

	18/19 $000	**17/18 $000**
Accounts Receivable	2,816	0

The HBRIC Ltd parent company entered into the following subvention payments with its subsidiary the Napier Port, noting that subvention payments were made for the tax effect of transfer of losses of $20,384k to the Port resulted in a loss offset of $14,676k:

	18/19 $000	**17/18 $000**
Subvention payments	5,708	177

Transactions between subsidiaries of the parent

The Napier Port Holdings Limited has a payable to Port of Napier Limited for costs related to the IPO for $6,546,189 (17/18 - nil)

Key management compensation

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Compensation of the Directors and chief executive, being the key management personnel for group reporting purposes is as follows:

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Short term employee benefits	2,916	231	3,050	269
Termination benefits	0		278	
	2,916	231	3,328	269

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Note 20: Capital Expenditure Commitments & Contingencies

	Note	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Capital commitments					
Capital expenditure contracted for at balance sheet date but not yet incurred as follows:					
Property, plant and equipment		8,853	0	1,514	0
Intangible assets		0	0	0	0
Investment property		0	0	0	0
Total capital commitments		**8,853**	**0**	**1,514**	**0**

Contingent Liabilities:

At balance date, there were no contingent liabilities (2018 : Nil).

Note 21: Financial Instruments

Credit Risk

In the normal course of its business the Group incurs credit risk from accounts receivable, bank balances and interest rate swap agreements. There is no significant concentration of credit risk and the Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The Group's maximum credit risk exposure is as disclosed in the statement of financial position and there is no collateral held.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities and derivatives:

Contractual Maturity Analysis	Carrying Amount	Cash flows To Maturity	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
Group	$000	$000	$000	$000	$000	$000
2019						
Trade and other payables	4,792	4,792	4,792	0	0	0
Bank borrowings	86,500	86,804	86,804	0	0	0
Interest rate swaps	6,269	6,269	6,269	0	0	0
Forward exchange contracts	0	0	0	0	0	0
	97,561	97,865	97,865	0	0	0
2018	$000	$000	$000	$000	$000	$000
Trade and other payables	4,044	4,044	4,044	0	0	0
Bank borrowings	92,286	99,178	8,272	45,487	45,419	0
Interest rate swaps	5,199	5,199	476	1,064	1,649	2,010
Forward exchange contracts	0	0	0	0	0	0
	101,529	108,421	12,792	46,551	47,068	2,010

Contractual Maturity Analysis	Carrying Amount	Cash flows To Maturity	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
Parent	$000	$000	$000	$000	$000	$000
2019						
Trade and other payables	1,221	1,221	1,221	0	0	0
Bank borrowings	6,500	6,500	6,500	0	0	0
Interest rate swaps	0	0	0	0	0	0
Forward exchange contracts	0	0	0	0	0	0
	7,721	7,721	7,721	0	0	0
2018	$000	$000	$000	$000	$000	$000
Trade and other payables	176	176	176	0	0	0
Bank borrowings	5,700	5,700	5,700	0	0	0
Interest rate swaps	0	0	0	0	0	0
Forward exchange contracts	0	0	0	0	0	0
	5,876	5,876	5,876	0	0	0

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest Rate Risk

The Group from time to time utilises interest rate caps and swaps to manage interest rate exposures for future periods. As at year end the notional principal amounts (including forward starting swaps), and the expiry period of the contracts, are as follows:

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Less than 1 Year	20,000	0	40,000	0
1 - 2 Years	2,000	0	20,000	0
2 - 3 Years	12,500	0	2,000	0
Greater than 3 Years	50,000	0	62,500	0
	84,500	0	124,500	0

Interest Rate Sensitivity Analysis

At reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) post tax profit or loss and other comprehensive income by the amounts shown below.

Interest Rate	Profit or Loss 100bp Increase $000	Profit or Loss 100bp Decrease $000	Other Comprehensive Income 100bp Increase $000	Other Comprehensive Income 100bp Decrease $000
Interest rate Swaps	0	0	2,011	-2,105
Year End 2019	0	0	2,011	-2,105
Interest rate Swaps	0	0	2,300	-2,444
Year End 2018	0	0	2,300	-2,444

Currency Risk

The Group undertakes transactions denominated in foreign currencies from time to time and exposure in foreign currencies arise resulting from these activities. It is the Group's policy to hedge foreign currency risks as they arise. The Group uses forward and spot foreign exchange contracts to manage their exposures.

Foreign exchange contracts are recognised in the statement of financial position at their fair value. The effective portion of the changes in the fair value of foreign exchange contracts is initially recognised in the hedging reserve, and subsequently transferred to the income statement at the point at which the hedged future transaction occurs. Any ineffective portion of foreign exchange contracts is recognised immediately in the income statement.

Credit Facilities

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
At reporting date total bank facilities were:				
Overdraft	1,000	0	1,000	0
Multi option credit facilities	130,000	10,000	126,000	6,000
Total	131,000	10,000	127,000	6,000
At reporting date usage of the bank facilities were:				
Overdraft	0	0		0
Multi option credit facilities	86,500	6,500	92,300	5,700
Total	86,500	6,500	92,300	5,700

The Port of Napier Limited has a multi-option facility with Westpac New Zealand Limited to an amount of $65m and expiry date of 30 June 2021. Also, Port of Napier Limited has facility agreements with ASB Bank Limited to an amount of $55m, expiring 31 October 2019.
The Westpac facility gives the Port of Napier Limited the option to raise money on the money market, through wholesale advances or a fixed rate advance for all or any part of the commitment expiring on a date no later than the termination date.
Seccurity for facilities with banks is by way of a negative pledge over the assets of the Port of Napier Limited in respect of both sale of such and other security interests.

During the 2020 financial year, HBRIC cancelled its $10m credit facility with HBRC.

Fair Values

Fair value hierachy

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Financial Assets				
Investment in Port of Napier Limited	0	348,000	0	291,000
Financial Assets at Fair Value - Cashflow Hedges				
Interest rate swaps	0	0	0	0
Foreign exchange option	0	0	0	0
Forward foreign exchange contracts	0	0	0	0
	0	0	0	0
Financial Assets at amortised cost				
Cash	4,841	3,790	265	100
Receivables	13,230	2,618	13,277	265
	18,072	6,409	13,542	365
Total Financial Assets	18,072	354,409	13,542	291,365

	Group Actual 18/19 $000	Parent Actual 18/19 $000	Group Actual 17/18 $000	Parent Actual 17/18 $000
Financial Liabilities				
Financial Liabilities at Fair Value - Cashflow Hedges				
Current				
Interest rate swaps	6,269	0	476	0
Forward foreign exchange contracts	0	0	0	0
	6,269	0	476	0
Non-current				
Interest rate swaps	0	0	4,723	0
Forward foreign exchange contracts	0	0	0	0
	0	0	4,723	0
Financial Liabilities at Amortised Cost				
Overdraft	0	0	0	0
Trade payables	12,958	1,221	8,703	176
Borrowings	86,500	6,500	92,286	5,700
	99,458	7,721	100,989	5,876
Total Financial Liabilities	105,727	7,721	106,188	5,876

The fair value of all derivatives are based on indicative market valuations provided by the Group's bankers.

The carrying value of all financial assets and liabilities is equal to the fair value.

Estimation of fair value of financial instruments

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the Statement of Financial Position

All financial instruments recognised on the Group's statement of financial position at fair value sit within Level 2.

Capital Management

The Group's policy is to maintain a strong capital base, which is defined as total shareholders equity, so as to maintain shareholder and banker confidence, and to sustain the future business development of the Group. The Group has established policies in capital management, including minimum requirements for interest cover, debt to debt plus equity ratio and total committed funding to maximum debt over the next 12 months.

Port of Napier Limited is required to comply with certain financial covenants in respect of external borrowings namely that a minimum interest cover is maintained, minimum shareholder's funds as a percentage of total tangible assets, and maximum debt in relation to earnings before interest, tax, depreciation and amortisation.

Port of Napier Limited has met all the covenants throughout the current reporting period.

Note 22: Effect on Consolidation

The consolidation adjustment arises through the transfer of the Napier Port shares from Hawke's Bay Regional Council, and reflects the elimination of Napier Port dividends paid to HBRIC Ltd.
There were no such transactions for the 2019 year. (2018: $1,723,000)

Note 23: Events After Balance Sheet Date (Parent & Group)

The parent company sold 45% of its shareholding in Napier Port via an Initial Public Offering (IPO) listing on the New Zealand Stock Exchange (NZX), with listing on 20 August 2019. Additionally in excess of $100m of funds have been released to HBRIC following the dilution of HBRIC's share in Napier Port from 100% to 55%.

The parent company repaid the $6.5m loan to its shareholder on 13 September 2019. Napier Port repaid outstanding debt of $80 million and terminated all outstanding interest rate swaps in August 2019

The Port of Napier Limited decalred a dividend of $44 million to Hawke's Bay Regional Investment Company in July 2019, and paid in August 2019.

On 18 November 2019 a dividend of $11 million was declared and paid to Napier Port Holdings Limited by the Port of Napier Limited

The Napier Port Holdings Limited has declared a dividend of 2.5 cents per share be paid to shareholders on 20 December 2019. HBRIC's share of this will be $2.75 million.

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Note 24: Performance Against Statement of Intent Targets

	Note	Group Actual	Group Target	Parent Actual	Parent Target
Net debt to net debt plus equity		29%	<40%	2%	<10%
Interest cover (EBIT / interest paid)		2x	>3x	22x	>3x
EBITDA / total assets		11%	9%	3%	3%
Return on shareholders' funds		7%	5%	4%	3%

Parent company dividends

HBRIC Ltd met its targeted dividends to the Council of $10 million as set out in the 2018/19 Statement of Intent.
Dividends of $10 million were paid during the year.

HBRIC Ltd's performance against non-financial performance measures set out in its 2018/19 Statement of Intent is described in the following Performance Statement.

Note 25: Legislative compliance

Section 67 of the Local Government Act 2002 requires the Board of Directors to complete the company's annual report within 3 months after the end of each financial year.

The initial report was completed on 30 September 2019.

NZ IFRS 10 Consolidated financial statements para B92 states that 'the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall have the same reporting date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary unless it is impracticable to do so.'

The financial statements approved on 30 September 2019 were approved on the basis that is was impractical to consolidate the financial statements for Napier Port to the end of June 2019 due to a range of factors including the Napier Port IPO. The statements were consolidated to March 2019. Consequently, the audit opinion issued on 30 September 2019 on those financial statements was qualified.

Following correspondence with the Companies Office about the qualified audit opinion dated 30 September 2019, HBRIC has decided to amend and re-issue financial statements in compliance with the above NZ IFRS standard by consolidating the financial information of the Port to the end of June 2019

Accordingly, the Directors have elected to modify the annual report and re submit it to the Companies Office.

These amended financial statements have been audited and a new audit report issued on them.

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Performance Statement

Governance

	Objective	Performance target	Performance
1	HBRIC Ltd maintains a strategic direction that is consistent with that of 100% shareholder Hawke's Bay Regional Council (Council).	HBRIC Ltd develops and maintains appropriate communication lines with Council to ensure HBRIC Ltd remains aware of Council's strategic priorities.	The HBRIC Ltd Chief Executive has presented to Councillors on a number of occasions to ensure the strategic direction of HBRIC Ltd is consistent with that of Council. During the year, an IPO process has been initiated to sell 45% of HBRIC's shareholding in Napier Port, with regular updates to Council.
		By 1 March each year (unless otherwise agreed), HBRIC Ltd will submit a draft SoI for the forthcoming year for review and approval by Council.	Because of the uncertainty arising from the IPO, HBRIC provided HBRC a draft SoI at 27 June Council meeting. A final SoI will be submitted to Council post IPO transaction.
2	HBRIC Ltd keeps Council informed of all significant matters relating to HBRIC Ltd and its subsidiaries, within the constraints of commercial sensitivity.	HBRIC Ltd submits regular written reports to Council in the financial year and presents seminars to Councillors when appropriate.	Satisfied.
		Major matters of urgency are reported to Council at the earliest opportunity.	All major matters of urgency were reported to Council at the earliest opportunity.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be developed and reviewed in accordance with a schedule approved by the Board, and the company will work with and assist Council to ensure that there is alignment between Council and company policies.	Scheduled for 2020.
4	Directors make an effective contribution to the HBRIC Ltd board, and their conduct is in accordance with generally accepted standards.	The Board will conduct a formal biennial performance evaluation for each HBRIC Ltd director.	Scheduled for 2020.
		The Governance committee will review the training needs of individual HBRIC Ltd directors, and ensure training is provided where required.	Ongoing
5	HBRIC Ltd's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial.	The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with Council's approved policies and procedures.	Director appointments made during the year complied with Council/HBRIC Ltd policies.
6	Subsidiary companies complete, on a timely basis, Statements of Intent that meet best practice standards.	HBRIC Ltd will engage with subsidiary companies prior to the SoI round in each year regarding the structure and content of their SoIs.	Satisfied.
		In each year, subsidiary companies submit draft Statements of Intent to HBRIC Ltd in sufficient time for HBRIC Ltd to submit a Final SOI by 30 June.	Satisfied.
		HBRIC Ltd will review Statements of Intent and respond to the subsidiaries and make recommendations to Council, including on any material changes that are proposed, within six weeks of receipt.	Satisfied.
7	Subsidiary companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be: · achieving the objectives of its shareholders as set out in the SoI;	HBRIC Ltd will review the companies' performance in the context of these statutorily required objectives.	Satisfied - HBRIC Ltd receives regular updates on performance from Port of Napier Limited.

- being a good employer;
- exhibiting a sense of social and environmental responsibility; and
- conducting their affairs in accordance with sound business practice.

Group strategic, financial and sustainability objectives

	Objective	Performance target	Performance
1	Subsidiary companies adopt strategies that are compatible with the strategic direction of HBRIC Ltd and Council.	HBRIC Ltd will engage with subsidiary companies prior to the 2019 SoI round regarding key shareholder strategies and, subsequently, review their SoI's for compatibility with those strategies.	Satisfied.
2	Subsidiary companies adopt strategies that contribute to regional growth.	HBRIC Ltd will encourage subsidiary companies to seek opportunities that are both commercially sound and are capable of enhancing regional growth, and actively engage them with regard to specific opportunities that may arise.	Satisfied - Port of Napier Ltd continues to deliver increased trade growth and plan for the future needs of the region.

Parent company financial objectives

	Objective	Performance target	Performance
1	HBRIC Ltd financial and distribution performance meets the shareholder's expectations.	HBRIC Ltd pays a dividend for the 2019 financial year that meets or exceeds the forecast dividend, and achieves other performance targets set out in section 7.	Satisfied - $10m of dividends paid to Council during the year as per SOI.
2	HBRIC Ltd's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	HBRIC Ltd will periodically review the performance of subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.	HBRIC will complete a 45% sell down of its Napier Port assets by way of IPO post balance date. The value created from this process will form part of a discussion with HBRC to finalise the next SoI.

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Independent Auditor's Report

To the readers of Hawke's Bay Regional Investment Company Limited and group's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Hawke's Bay Regional Investment Company Limited (the company) and group. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 10 to 46 and 48, that comprise the statement of financial position as at 30 June 2019, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 47, 49 and 50.

In our opinion:

- the financial statements of the company and group on pages 10 to 46 and 48:
    - present fairly, in all material respects:
        - their financial position as at 30 June 2019; and
        - their financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the company and group on pages 47, 49 and 50 presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2019.

Our audit was completed on 13 December 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw attention to the replacement financial statements, statement of performance, and audit report. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Replacement financial statements, statement of performance, and audit report

Without modifying our opinion, we draw your attention to the fact that the financial statements on pages 10 to 46 and 48 and the statement of performance on pages 47, 49 and 50 replace the previously issued financial statements and statement of performance dated 30 September 2019. The previous financial statements and statement of performance have been replaced because the Board of Directors has obtained information that now enables it to comply with generally accepted accounting practice by consolidating the financial information related to the Port of Napier Limited up to 30 June 2019. Attention is drawn to note 25 on page 48, which outlines the matter in more detail. This audit report replaces the audit report issued on 30 September 2019.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company and group for assessing the company and group's ability to continue as going concerns. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company and group's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit 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 company and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company or group to cease to continue as going concerns.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 8, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the company and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company and group.

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand