

Thursday, 30 March 2023

*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*

**Hastings District Council**

**Council Meeting**

*Kaupapataka*

# Attachments Under Separate Cover

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*Te Rā Hui:*  
Meeting date: **Thursday, 30 March 2023**

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*Te Wā:*  
Time: **1.00pm**

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*Te Wāhi:*  
Venue: **Council Chamber  
Ground Floor  
Civic Administration Building  
Lyndon Road East  
Hastings**

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**HASTINGS DISTRICT COUNCIL**  
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156  
Phone **06 871 5000** | [www.hastingsdc.govt.nz](http://www.hastingsdc.govt.nz)  
**TE KAUNIHERA Ā-ROHE O HERETAUNGA**

ITEM	SUBJECT	PAGE
<b>8.</b>	<b>FOODEAST LIMITED PARTNERSHIP HALF-YEAR REPORT AND DRAFT STATEMENT OF INTENT</b>	
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# H1 Financial Report

Foodeast Limited Partnership  
For the 6 months ended 31 December 2022

Prepared by Brown Webb Richardson Ltd



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## Narrative Report

### Foodeast Limited Partnership For the 6 months ended 31 December 2022

#### Foodeast Limited Partnership quarterly update for the period ending 31 December 2022

Dear Limited Partners,

In accordance with the Foodeast Limited Partnership Agreement, and on behalf of the Board of Directors, I am pleased to submit to the quarterly financial report for foodeast for the period 1 October 2022 to 31 December 2022. The results are unaudited.

#### 1. Introduction

Foodeast Haumako is a council-controlled organisation (CCTO) for the purposes of the Local Government Act 2002. It is owned by Hastings District Council (16.64%), Hawke's Bay Regional Investment Company (66.72%) and Progressive Meats Limited (16.64%). Craig Foss is Chair and director of Foodeast GP Limited, and Tony Gray is a fellow director.

#### 2. Capital structure

Foodeast Haumako has aggregate capital commitments of \$6.0 million from the equity partners of Foodeast GP Limited and grant funding of \$12.0 million from the Ministry of Business, Innovation and Employment (MBIE), which is facilitated through the Kanoa Provincial Development Unit. EIT also donated some establishment funding.

As at 31 December 2022, Foodeast Haumako has drawn a total of \$1.5 million of the Kanoa grant funding to meet its design, consenting and pre-construction expenses, and establishment costs (accounted for to 20 June 2021 through Hastings District Council). Total contributions to date from the three Limited Partners amount to \$2.8 million.

#### 3. Finance

Attached to this report are the foodeast financial statements for the 6 months to 31 December 2022.

The key items to note are:

- There is no operating revenue for the year to date, and operating costs of \$107,966 are lower than the projected operating costs to 31 December 2022 of \$141,913.
- Design costs are capitalised to the balance sheet, and are offset by the Kanoa grant funding.

#### 4. Construction update

A key focus in the last quarter has been processing tenders for the earthworks and Building B, and completing QS estimates for Building A. The following tenders have now been accepted:

- a. Earthworks: Phoenix Quantity Contracting (\$446,634)
- b. Building B: Hawkes Bay Construction Company (\$4,010,073)

Building A has not yet gone to tender, but the quantity surveyor estimate for building A and associated site works is \$5,603,600 for total construction cost of \$10,060,307.

The directors remain comfortable that the project can be managed within the overall fiscal envelope.

All groundworks for Building B were completed in December 2022, and construction of Building B has commenced with Hawkes Bay Construction Company ("HBCC") in February 2023.

Narrative Report



5. Cyclone Gabrielle Update

We have had initial inspection of the construction site, and engaged with HBCC. At this early stage, other than some flooding of trenching and scouring of some of the compacted building platform, we have escaped any major damage. There may be a minor cost impact to recompact the building platform.

We have lost one weeks building progress, however we were previously ahead of schedule by one week. We do not yet know how the aftermath of the cyclone will impact availability of resources, materials and labour. At this stage HBCC is confident and very keen to continue their work.

We may now face a minor timing delay getting pricing and contract in place for Building A, as contractors are attending to urgent cyclone related work. If we gain any other material information regarding the impact of recent weather events on the project we will of distribute an update.

6. Activities undertaken during the second quarter ending 31 December 2022.

The primary activity during the past quarter has been the awarding of tenders for earthworks and Building B, along with final cost estimates for Building A and associated siteworks.

All building work is scheduled to be completed in the current calendar year.

A strategy workshop was held on 28 October 2022, facilitated by David Todd, with representatives from Hastings District Council, Hawkes Bay Regional Council, Hawkes Bay Regional Investment Company, Ministry of Business, Innovation and Employment, The Food Innovation Network and the Waikato Innovation Park. Key action points arising from the meeting were to:

- a. Develop a position description for an executive / CEO role and seek and appoint a suitable candidate (in progress)
- b. Recruit a skill-based board for each of the construction, transition, and operational phases (target April 2023)
- c. Build a reference group of connectors and enablers who will assist with developing a marketing plan, and assisting with tenant selection (target March 2023).

Doctor Nicky Solomon continues to work with Foodeast Haumako in an adjunct advisory role, advising Foodeast Haumako from both her perspective as leader of the Hawke's Bay Regional Food Programme, and from her role within the New Zealand Food Innovation Network.

7. Future activities

Over the remainder of the 2023 calendar year, the construction of Building B is scheduled to start in February 2023, with construction on Building A scheduled to start in March 2023. Completion of both buildings is scheduled for the last quarter of 2023. This timing is similar to that signalled in the last quarterly report.

A chief executive officer / general manager and some additional board members will be considered for appointment to marry with the stages of construction, commercialisation and the business itself as we progress through the 2023 calendar year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Craig Foss', written over a horizontal line.

**Craig Foss**  
Chairman  
Foodeast Limited Partnership  
27 February 2023



## Statement of Financial Performance

### Foodeast Limited Partnership For the 6 months ended 31 December 2022

	FIN. PERF. NOTES	OCT-DEC 2022	JUL-DEC 2022
<b>Gross Profit</b>		-	-
<b>Gross Profit %</b>		-	-
<b>Expenses</b>			
<b>Cash Expenses</b>			
Accountancy Fees		15,000	39,500
Bank Fees		56	403
Communications & Marketing		1,310	3,530
Consultancy Fees		5,369	5,369
Directors Fees		20,000	40,000
General Expenses		-	73
Insurance		-	6,750
Legal Expenses		2,805	5,700
Rates		1,019	3,048
Subscriptions		391	1,523
Valuation Fees		-	2,070
<b>Total Cash Expenses</b>		<b>45,949</b>	<b>107,966</b>
<b>Total Expenses</b>		<b>45,949</b>	<b>107,966</b>
<b>Net Operating Profit</b>		<b>(45,949)</b>	<b>(107,966)</b>
<b>Other Revenue</b>			
Interest & Dividends		6,274	7,529
<b>Total Other Revenue</b>		<b>6,274</b>	<b>7,529</b>
<b>Other Expenses</b>			
Interest Paid		-	711
<b>Total Other Expenses</b>		<b>-</b>	<b>711</b>
<b>Net Profit</b>		<b>(39,675)</b>	<b>(101,148)</b>

This Statement is to be read in conjunction with the accompanying Notes and Accountant's Statement



Statement of Changes in Net Assets Attributable to Partners

Foodeast Limited Partnership  
For the 6 months ended 31 December 2022

JUL-DEC 2022

<b>Equity</b>	
Net Assets at beginning of year	3,328,006
Total Comprehensive Income for the year	(101,148)
Tax Credits transferred to Partners	(1,101)
Net Assets at end of year	3,225,757

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## Statement of Financial Position

### Foodeast Limited Partnership As at 31 December 2022

	FIN. POS. NOTES	31 DEC 2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Bank		974,461
GST Receivable		76,757
<b>Total Current Assets</b>		<b>1,051,218</b>
<b>Non-Current Assets</b>		
<b>Fixed Assets</b>		
Land		1,500,000
Design Costs		270,624
Revaluation		914,376
<b>Total Fixed Assets</b>		<b>2,685,000</b>
<b>Total Non-Current Assets</b>		<b>2,685,000</b>
<b>Total Assets</b>		<b>3,736,218</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and Other Payables		496,823
Other Current Liabilities		13,638
<b>Total Current Liabilities</b>		<b>510,461</b>
<b>Total Liabilities</b>		<b>510,461</b>
<b>Net Assets</b>		<b>3,225,757</b>
<b>Equity</b>		
<b>Partners Accounts</b>		
<b>Progressive Meats</b>		
Funds Introduced		499,360
RWT		(534)
Share of Intellectual Property		(17,356)
Share of Profit		88,736
<b>Total Progressive Meats</b>		<b>570,206</b>
<b>Hastings District Council</b>		
Funds Introduced		599,360
Share of Intellectual Property		(17,356)
Share of Profit		88,736
RWT		(534)
<b>Total Hastings District Council</b>		<b>670,206</b>

This Statement is to be read in conjunction with the accompanying Notes and Accountant's Statement

Statement of Financial Position



FIN. POS. 31 DEC 2022  
NOTES

<b>HB Regional Investment Co</b>	
Funds Introduced	1,701,280
Share of Intellectual Property	(69,590)
Share of Profit	355,798
RWT	(2,142)
<b>Total HB Regional Investment Co</b>	<b>1,985,345</b>
<b>Total Partners Accounts</b>	<b>3,225,757</b>
<b>Total Equity</b>	<b>3,225,757</b>

This Statement is to be read in conjunction with the accompanying Notes and Accountant's Statement



## Statement of Cash Flows

### Foodeast Limited Partnership For the 6 months ended 31 December 2022

JUL-DEC 2022

#### Cash Flows

##### Operating Activities

Payments to Suppliers and Employees	(115,331)
Interest Received	10,360
Finance Costs	(711)
GST	5,827
Tax Paid	(2,035)
<b>Net Cash Flows from Operating Activities</b>	<b>(101,891)</b>

##### Investing Activities

Payment for Investment Property	(345,643)
Term Deposit	600,000
Grant Received - MBIE	500,000
<b>Total Investing Activities</b>	<b>754,357</b>

##### Financing Activities

Capital Contributions from Partners	-
<b>Total Financing Activities</b>	<b>-</b>

Net Cash Flows	652,466
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##### Cash and Cash Equivalents

Cash and Cash Equivalents at beginning of Period	321,995
Net Change in Cash for Period	652,466
<b>Cash and Cash Equivalents at end of Period</b>	<b>974,461</b>



## Performance Report

### Foodeast Limited Partnership For the 6 months ended 31 December 2022

**Table 1.** Summary Performance Targets, FY2022 to FY2024 inclusive.

Service Level Statement	Performance Measure	Status
Conclude re-design, consenting and pre-construction activities	Within third quarter FY2023.	Completed
Construction of the food innovation hub.	Construction of the facility commences by the third quarter FY2023.  Construction complete and first tenants in place by third quarter of FY2024.	Completed  On track
Operate as a successful business delivering sustainable profitability and growth in net asset value.	See Table 2 – Financial Performance Targets.	On track
Board with Industry experience in place	In place by the first quarter of 2023.	At risk
Achieve long term commercial returns (including capital gains) of at least 6%	Commercial returns realised.	On track

**Table 2.** Summary of Financial Performance Indicators, FY2023\*.

Measure	2022/23 Budget	2022/23 Actual
EBITDA	(\$141,915)	(\$101,966)

Operating expenses for the six months to December 2022 of \$101,966 compare favourably with the budgeted operating expenditure of \$141,915. Budget and actual operating revenue was nil.

**Table 3.** Net Assets to Total Assets, FY2023\*.

Measure	2022/23 Budget	2022/23 Actual
Total Assets	\$3,706,461	\$3,660,562
Total Net Assets	\$3,186,090	\$3,226,858
Ratio	86%	88%

\*Note that as the SOI did not provide targets for the half year accounts the budget numbers have been used in place of the SOI.



## Notes to the Financial Reports

### Foodeast Limited Partnership For the 6 months ended 31 December 2022

#### 1. PGF Funding

The total grant funding from the PGF is \$12,000,000.

At the end of December 2022, \$1,500,000 of the PGF grant has been drawn down by foodeast. Of this \$1,500,000, a subtotal of \$1,486,362 has been applied to the project's activities as: \$500,000 of *Pre-establishment costs* and \$986,362 of *Design Costs*.

This leaves a residual balance of the grant funding drawn to date of \$13,638 which is held on the Balance Sheet as *Income in Advance*, as a function of the accounting treatment applied to Government granted funds.

#### 2. Design Costs

Total *Design Costs* for the year to date - July - December 2022 are \$707,866. With reference to Note 1. above, these costs have been applied against the \$1,500,000 of PGF grant funds drawn down by the project to date.

#### 3. Contributions

The Hastings District Council has currently contributed \$599,360 in capital to the project. This is \$100,000 more than the present pro-rata contribution and that amount will therefore be re-balanced in line with pro-rata share at the next date of Limited Partner contributions.



# FOODEAST LIMITED PARTNERSHIP

Statement of Intent for the Financial Year ending 30 June 2024

6 March 2023 [FIRST DRAFT]

## COMPANY DIRECTORY

**FOODEAST LIMITED PARTNERSHIP**  
111 Avenue Rd East, Hastings 4156  
06 873 8037  
[www.foodeast.co.nz](http://www.foodeast.co.nz)

**DIRECTORS**  
Mr. Craig Foss (Chairperson)  
Mr. Tony Gray

**REGISTERED OFFICE**  
Willis Legal  
64 Dickens Street, Napier 4110

**BANKERS**  
Westpac New Zealand Ltd

**AUDITORS**  
Ernst & Young  
100 Willis Street, Wellington 6011

**LEGAL STATUS**  
Foodeast Limited Partnership ("foodeast") was incorporated in New Zealand on 2 July 2021 under the Limited Partnerships Act 2008 (NZBN 9429049450736). As the Limited Partners of foodeast are Hastings District Council (16.64%), Hawke's Bay Regional Council Investment Company (66.72%) and Progressive Meats Limited (16.64%), foodeast is a Council Controlled Organisation as defined in section 6 of the Local Government Act 2002.

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## 1. PURPOSE OF THE STATEMENT OF INTENT

This Statement of Intent (SOI) is presented by Foodeast Limited Partnership (operating as foodeast haumako) in accordance with Section 64(1) of the Local Government Act 2002.

The SOI specifies for foodeast haumako the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the Limited Partnership and its Limited Partners.

The SOI is reviewed annually by the Limited Partners, being the Hastings District Council, Hawke's Bay Regional Investment Company Ltd (HBRIC) wholly owned by Hawke's Bay Regional Council and Progressive Meats Limited, and covers a three-year period.

[paragraph re impact of covid-19 removed]

## 2. INTRODUCTION

Foodeast haumako is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002. It is owned by Hastings District Council (16.64%), Hawke's Bay Regional Council Investment Company (66.72%) and Progressive Meats Limited (16.64%).

The Foodeast Limited Partnership was incorporated with the Companies Office in July 2021. Full operations are expected to coincide with the completion of the construction of the building in 2023.

Once completed, foodeast haumako will be a purpose-built food and beverage innovation facility located in the Tomoana Food Hub of Hawke's Bay. It will take the lead from the Hasting's District Council's brand campaign "*great things grow here*" to bring smart thinkers and innovative companies together under one roof from across New Zealand's food processing value chain.

## 3. VISION

The vision is that foodeast haumako will construct and operate business-park facility focussed on clustering food, beverage, agritech, horticulture and related activities and engineering services businesses together in a shared real-estate space to build industry capability as well as maximise opportunities for innovation ideas to cross-pollinate between the businesses. The business park facility will be a hub of focus for food innovation in the region.

To achieve this vision foodeast haumako must work in partnership with our Limited Partners, central government, local iwi, private industry, and other regional stakeholders - it cannot be achieved alone.

## 4. STRATEGIC OBJECTIVES

The principal objectives of foodeast haumako are to achieve:

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- (a) the objectives of the Limited Partners, both commercial and non-commercial as specified from time to time in the Statement of Intent and, in particular, to drive and facilitate the creation and growth of the food and beverage sector in Hawke's Bay and beyond; and
- (b) to exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the facilities operate and by endeavouring to accommodate or encourage these whenever it is reasonably able to do so.

## **5. PURPOSE**

To construct and operate a food innovation hub to create 500+ jobs and add over NZ\$100 million to the Gross Domestic Product (GDP) of the Hawke's Bay region over 10 years, while making a commercial return consistent with the requirements of the Limited Partners as outlined in Foodeast's Limited Partnership Agreement.

## **6. NATURE AND SCOPE OF ACTIVITIES UNDERTAKEN**

The physical facilities of foodeast haumako will consist of a food innovation centre modelled on the existing Waikato Innovation Park and supported with sector-specific soft services focussed on Māori economic development, and commercialisation services.

The food innovation hub will promote more cost-effective food and beverage product innovation, and a centre of excellence in food processing education and engineering services.

It will provide a base for clustering food technology firms and improve cooperation and bring scientific and technical expertise. In time, it is also expected to expand its centre of excellence role to integrating research activity around waste product, and co-ordination of regional effort on sustainable packaging and resource allocation.

## **7. CORPORATE STRUCTURE AND GOVERNANCE**

The Board of up to six (currently two) Directors is responsible for the strategic direction and control of foodeast haumako's activities.

The Board of Directors guides and monitors the business and affairs of foodeast haumako, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company's Constitution and this Statement of Intent.

The Board of Directors' approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing relationships
- being accountable to all Limited Partners and reporting to them on a quarterly basis.

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## 8. PERFORMANCE MEASURES AND TARGETS

Foodeast haumako's performance measure framework identifies quantifiable measures of our programmes and activities aligned to our key strategic outcomes. These form the basis of our accountability and will be reported on every three (3) months. The prime focus of 2023/24 will be on the construction of the food innovation hub. *[Last SOI stated this would be prime focus of 2022/2023]*

**Table 1.** Summary Performance Targets, FY2024 to FY2026 inclusive.

Service Level Statement	Performance Measure	Status
Conclude re-design, consenting and pre-construction activities	Within third quarter FY2023	Completed
Construction of the food innovation hub.	Construction of the facility commences by the third quarter FY2023 Construction complete and first tenants in place by third quarter FY2024.	Completed On track
Operate as a successful business delivering sustainable profitability and growth in net asset value.	See Table 2 – Financial Performance Targets	On track
Board with Industry experience in place	In place by the fourth quarter of FY2023	In progress
Appropriate resources in place to deliver the business plan	CEO / GM in place by first quarter of FY2024	On track
Achieve long term commercial returns (including capital gains) of at least 6%	Commercial returns realised	On track

*[The 4<sup>th</sup> statement above is new, the other statements are unchanged but with status included now.]*

## 9. FINANCIAL PERFORMANCE TARGETS

*Financial performance indicators below are indicative, and will be finalised following completion of the budget process.*

**Table 2.** Summary of Financial Performance Indicators, FY2024 to FY2026 inclusive.

Measure	2023/24*	2024/25*	2025/26*
EBITDA	(622,955)	(413,769)	(315,392)
Last SOI	(588,848)	(394,990)	n/a

## 10. RATIO OF NET ASSETS TO TOTAL ASSETS

The forecast capital structure and ratio of net assets to total assets for the next three (3) financial years are illustrated in the following table.

**Table 3.** Net Assets to Total Assets, FY2024 to FY2026 inclusive.

Measure	2023/24*	2024/25*	2025/26*
Total Assets	4,332,264	5,381,143	6,567,438
Last SOI	2,068,432	5,116,139	n/a
Total Net Assets	4,257,806	5,291,562	6,476,706
Last SOI	2,038,531	5,069,856	n/a
Ratio	98%	98%	99%
Last SOI	99%	99%	n/a

\* Movement of net assets from 2023/24 to 2024/25 is reflective of revaluation of assets to assumed market value.

## 11. ACQUISITIONS & DIVESTMENTS POLICY

The acquisition of any interest in a company or organisation will only be considered when it is consistent with the long-term social and commercial objectives of foodeast haumako.

Any material acquisition or divestment will be the subject of consultation with Limited Partners.

Major transactions as defined by the Companies Act 1993 will require limited partner approval.

## 12. LIMITED PARTNER REQUIREMENTS

### 12.1. Letter of Expectations

At the beginning of each new calendar year the Limited Partners will deliver to foodeast haumako a Letter of Expectations. The Letter of Expectations provides direction on issues that are important to the Limited Partners, and to assist in the development of foodeast haumako's next SOI. We have not received any letters of expectations from the Limited Partners this calendar year.

### 12.2. Statement of Intent

By 1 March in each year foodeast haumako will deliver to Limited Partners its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments received from its Limited Partners received by 30 April, the Board will deliver the completed SOI to its Limited Partners on or before 15 June each year.

### 12.3. Half Yearly Report

By the end of February each year, foodeast haumako will provide to Limited Partners its Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Director's commentary on operations for the relevant six-month period

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- Un-audited half-yearly Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity and Statement of Cashflows.
- Comparison of foodeast haumako's performance regarding the objectives and performance targets set out in the SOL, with an explanation of any material variances.

#### 12.4. Annual Report

By 30 September each year, foodeast haumako will provide to its Limited Partners an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002 and the Companies Act.

The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report
- Financial Statements incorporating a Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows, Statement of Accounting Policies and Notes to the Accounts
- Comparison of foodeast haumako's performance regarding the objectives and performance targets set out in the SOL, with an explanation of any material variances
- Auditor's Report on the financial statements and the performance targets
- Any other information that the directors consider appropriate

#### 12.5. Limited Partner Meetings

Foodeast haumako will hold an Annual General Meeting (AGM) between 30 September and 30 November each year to present the Annual Report to all Limited Partners unless it is agreed between foodeast haumako and the Limited Partners that the business of the AGM will be done by resolution in writing.

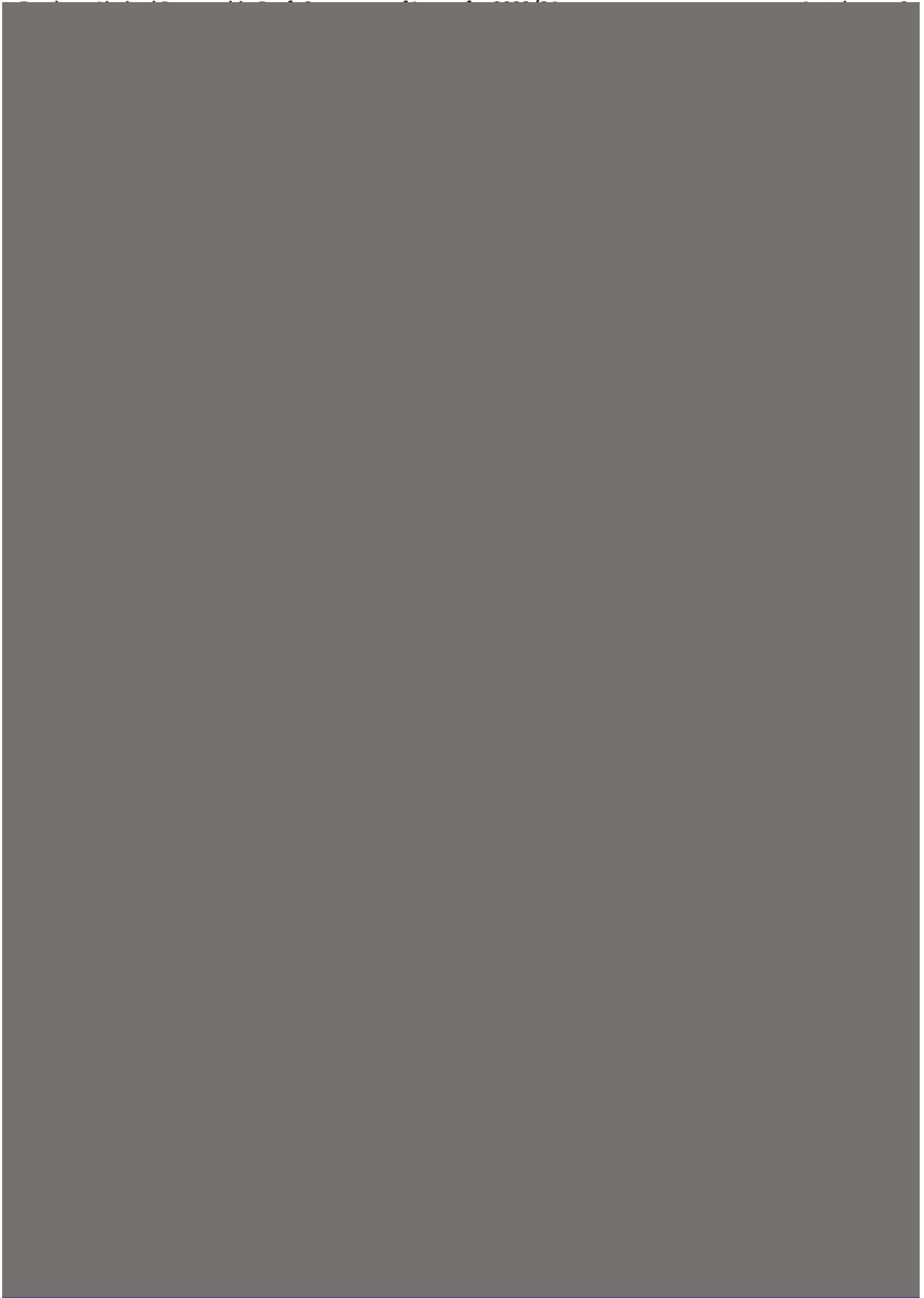
### 13. ESTIMATE OF COMMERCIAL VALUE

The value of Limited Partners' investment in the company as of 31 May 2023 is \$XXX. **31 March 2022**  
**\$2,579,291.**

Foodeast haumako will undertake a revaluation approach to its assets on a regular cycle or when there has been significant change in the market.

**Craig Foss**  
Chairman  
Foodeast General Partnership  
6 March 2023

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## ACCOUNTING POLICY & NOTES TO THE FINANCIAL STATEMENTS

### 1. Reporting Entity

Foodeast Limited Partnership ("foodeast") was established and commenced operations in New Zealand on 2 July 2021 under the Limited Partnerships Act 2008 (NZBN 9429049450736). As the Limited Partners of foodeast are Hastings District Council (16.64%), and Hawke's Bay Regional Council Investment Company (66.72%), foodeast is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

Foodeast has designated itself as a public benefit entity (PBE) for financial reporting purposes.

### 2. Statement of Accounting Policies Basis of Preparation

The financial statements are prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period, unless otherwise stated.

#### *Statement of Compliance*

The financial statements of foodeast have been prepared in accordance with the requirements of the Local Government Act 2002, the Limited Partnerships Act 2008, and the Financial Reporting Act 2013. This includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS) Reduced Disclosure Regime (RDR). Foodeast is eligible and has elected to report in accordance with Tier 2 PBE standards RDR on the basis the entity has no public accountability and has expenses > \$2m and < \$30m.

#### *Presentation Currency*

The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest New Zealand dollar (NZ\$), except when otherwise indicated.

#### *Historical Cost*

These financial statements have been prepared on a historical cost basis.

#### *Changes in Accounting Policies*

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

#### *Revenue Recognition*

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding goods and services tax rebates and discounts, to the extent it is probable that the economic benefits will flow to the entity and revenue can be reliably measured. Specific accounting policies for significant revenue items are explained below:

- Sales of goods are recognised when the goods are sold to the customer.
- Sales of services are recognised in the period by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

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- Lease revenue is recognised on a straight-line basis over the life of the lease.
- Interest received is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest method.
- Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
- Donated assets. Where a physical asset is gifted to or acquired by foodeast for nil consideration or at a subsidised cost, the asset is recognised at fair value. The difference between the consideration provided and fair value of the asset is recognised as revenue. The fair value of donated assets is determined as follows:
  - For new assets, fair value is usually determined by reference to the retail price of the same or similar assets at the time the asset was received.
  - For used assets, fair value is usually determined by reference to market information for assets of a similar type, condition, and age.

#### *Inventories*

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus (deficit) in the period of the write-down.

#### *Property, Plant and Equipment*

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets and includes the cost of replacements that are eligible for capitalisation when these are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### *Depreciation*

<b>Account</b>	<b>Method</b>	<b>Rate</b>
Leasehold Improvements	Diminishing Value	10%- 40%
Office Furniture & Equipment	Diminishing Value	0% -67%
Office Furniture & Equipment	Straight Line	10.5%
Plant & Equipment	Diminishing Value	10%-20%
Vehicles	Diminishing Value	30%
Websites	Straight Line	40%

From 1 July 2018 all Office Furniture and Equipment purchases (excluding computer/IT equipment) has been depreciated using the straight-line method of depreciation to better represent the reduction of the value of these assets over their useful life. This change will apply to all purchases of Office Equipment and Furniture (excluding Computer equipment) in future accounting periods.

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As this change is a change in accounting estimates, no changes have been made to previously purchased assets in prior financial years, or the depreciate method on these assets in the current or future years.

#### *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.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on 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 statement of financial position.

#### *Receivables*

Receivables are recorded at their face value, less any provision for impairment.

#### *Impairment of financial assets*

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Impairment is established when there is evidence foodeast will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter-in bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits or bonds are recognised directly against the instrument's carrying amount.

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*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

*Payables*

Short-term creditors and other payables are recorded at their face value.

*Equity*

Equity is the Limited Partners' interest in foodeast and is measured as the difference between total assets and total liabilities.

*Good and Services Tax*

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cashflows.

Commitments and contingencies are disclosed exclusive of GST.

*Provisions*

A provision is recognised for future expenditure of uncertain amount or timing when there is a obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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File Ref: EXT-10-42-22-1

25 March 2022

Craig Foss  
Chairman  
Foodeast Limited

Dear Craig

**2022/2023 Shareholder Expectations For Foodeast Limited**

On behalf of the Hastings District Council, I set out below Council's expectations for 2022/2023. Note that this is Council's first Letter of Expectations to Foodeast since its incorporation.

Our expectations in this letter are divided into two categories – company specific and general. General expectations apply across all wholly and jointly owned CCOs.

Overview

The Hastings District Council has invested many years in driving the vision of a food innovation hub in Hawke's Bay. To see Foodeast coming to fruition is something that HDC is very proud of and fully believes in.

The funding support received from the Crown through the PGF is the cornerstone of the funding programme and the structure of that funding through an amortised grant over 12 years provides great capital appreciation opportunities into the future for the shareholders.

With HBRIC introduced as the majority shareholder, it is important that their financial return expectations are achieved and aligned with the overall vision of Foodeast.

Foodeast will become a strategic asset for the region and it is important that the Board and shareholders pull out all stops to try and bridge the funding gap currently in play to enable construction of the facility to be completed. It is acknowledged that construction cost escalations are making that difficult at present and negotiations continue with the Crown to restructure their funding contribution.

Specific Expectations

Hastings District Council (HDC) expects the Board to meet the following specific expectations in 2022/2023:

Napier City Council  
Private Bag 6010  
Napier 4142

Hastings District Council  
Private Bag 9002  
Hastings 4156

1. Construction

- 1.1 We request updates be provided in each quarterly report to Council on progress being made on establishing a build programme that is fundable and with a construction start date no later than July 2022.

2. Commercial Strategy

- 2.1 Following confirmed commitments on funding and project deliverability, Council expects the Board will revisit the Commercial Strategy for Foodeast and reconfirm the underlying assumptions that premised the original proposal.
- 2.2 Council would expect that the Commercial Strategy is given effect to with commitments made and an anchor tenant secured that is aligned with the shareholders' expectations.

3. Board involvement and make up

- 3.1 While Council has made a strategic appointment to the board to ensure continuity and delivery of the project, Council would like to see more specialist appointments made to the Board by the other shareholders.

4. Health and Safety

- 4.1 We expect that health and safety is maintained at a very high standard through the construction phase.

5. Risk Management

- 5.1 We expect the Board to prudently manage financial risks with investments in infrastructure aligned with conservative forecasts.

6. Partners

- 6.1 Council expects that the Foodeast Board will maintain open and transparent communications with its funding partners, ensuring that all key milestones are met and where that can not be achieved that it is signalled early and mitigations put in place.

**General Expectations**

The shareholding councils operate under a philosophy of transparency, disclosure of performance information and no surprises.

The councils expect each of its joint CCOs to follow the procurement principles outlined in the Office of the Auditor General guidelines.

Transparency and disclosure of CCOs is to be achieved via a number of mechanisms including a continuous disclosure regime for Council Controlled Organisations.

While a Shareholder Expectation Guide has yet to be introduced, particular regard should be given to the following:

- *Strategic issues letters:* All CCOs are expected to provide the shareholder councils with a letter by 15 February responding to the Letter of Expectations and setting out the key strategic issues facing the company. Should your company wish to engage with shareholders to seek direction or clarification, we would ask that you advise Bruce Allan (HDC) as soon as possible of such intention.

- *Draft Statement of Intent (SOI)*: All CCOs are expected to provide the shareholding councils with a draft SOI by 1 March 2020 at the latest. The shareholding councils should be alerted as soon as possible if this deadline cannot be met.
- *Continuous Disclosure*: CCOs are expected to make time disclosures, including advising delegated shareholding councils' contacts, prior to the public release of disclosures.
- *Local Government Official Information Act requests*: The shareholding councils are to be advised by HBAL management when it receives a request under the Local Government Official Information Act and of the proposed response. The shareholding councils have specialist staff who can advise on such matters.

We acknowledge that this Letter of Expectations from the shareholding councils has been finalised late in the process of developing the draft Statement of Intent.

We look forward to having the opportunity to discuss the shareholding councils' expectations further with you and your Board, after you have had the opportunity to consider this letter. If required, please contact Bruce Allan, Hastings District Council to organise this.

Yours sincerely



**Nigel Bickle**

Chief Executive, Hastings District Council

Copy to: Bruce Allan, Group Manager: Corporate, Hastings District Council  
Sandra Hazlehurst, Mayor, Hastings District Council  
Tony Gray, Director, Foodeast