



**Far North
Holdings Limited**

Statement of Intent
2023 to 2026



Table of Contents

Introduction.....	2
Purpose of Statement of Intent	2
About Far North Holdings Limited.....	2
Nature and Scope of Activity.....	3
Decisions for which prior FNDC approval is required.....	3
Economic conditions.....	4
Strategic Direction.....	5
Objectives	5
Performance Measures.....	7
Financials.....	9
Operating Profit 3-year Forecast	9
Consolidated Shareholders' Funds and Total Assets.....	9
Dividend Policy	10
Accounting Policies.....	10
Reporting to Shareholder.....	11
Transactions with FNDC.....	11
Acquisition of Shares	11
Commercial Value of Shareholder's Investment.....	11
Board's Approach to Governance.....	11
Current Board Membership.....	11
Engagement with the Shareholder.....	12
Commitment of the Shareholder	13



Introduction

Far North Holdings Limited (FNHL) is a limited company pursuant to the Companies Act 1993 and is a Council Controlled Trading Organisation pursuant to Section 6 of the Local Government Act 2002 (LGA).

This Statement of Intent (SOI) is prepared to meet the requirements of Section 64 and Schedule 8 of the LGA.

It outlines the activities and intentions of FNHL, and its subsidiaries, and the objective to which those activities will contribute, upholding the Shareholder's values to act in a socially and environmentally responsible manner. Performance targets and measures are specified, along with the Company's policies relating to governance and other matters.

The SOI is reviewed annually following consultation with Far North District Council (FNDC).

Purpose of Statement of Intent

This SOI is presented by FNHL in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes Shareholder (FNDC) comments into consideration and represents the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI relates to the period from 1 July 2023 to 30 June 2026.

About Far North Holdings Limited

FNHL was formed in the late 1990's with the amalgamation of several local Council trading entities that collectively owned maritime, aviation and commercial property assets. It was established as a for-profit, commercial trading company to manage and develop the commercial assets of FNDC.

We are proud to have delivered a number of significant developments and infrastructure projects for the Far North, and to be responsible for strategic community assets including the Bay of Islands Marina development and the associated marine precinct & boatyard facilities, the Bay of Islands Airport and aviation cluster, Opuia, Paihia, Waitangi & Russell wharves and surrounding commercial properties. We continue to invest in these properties for the benefit of current and future generations, which has seen the value of our assets rise from \$53 million to \$168 million over the last ten years.

By leveraging our assets and experience we are able to increase capital and investment put into our district, thereby creating employment locally for our community and generating strong sustainable business outcomes, supporting the Council's Vision for "A District of sustainable prosperity and well-being". FNHL has been granted funding from Kānoa – Regional Economic Development & Investment Unit of \$55.8 million to undertake regional infrastructure projects, many of which protect key assets from climate change impacts and catalyse economic opportunities in the Far North.

Over the past year, FNHL has focused its efforts to complete both the civil and construction contracts at Ngawha Innovation & Enterprise Park in order to meet the opening deadlines of Regent Training Centre and Te Pukenga trades training centre, and the Innovation Centre that will house Northland Inc and FNHL's offices. Work is also advancing well on the Department of Corrections house building trades training compounds being constructed on the site.



The Ngawha Innovation & Enterprise Park represents the most significant development project undertaken by FNHL in recent years and is where FNHL sees the next 5-10 years of its focus and in the growth of the business, hence the relocation of its offices to the Ngawha Innovation & Enterprise Park, to support this kaupapa. The Ngawha Innovation & Enterprise Park seeks to promote value added manufacturing and processing of our primary sector to help catalyse businesses and support a shift away from seasonal lower paid tourism and external horticultural harvesting work towards full time, higher value employment. FNHL are excited to have partnered with Ngāpuhi Asset Holdings Limited in Kaikohe Berryfruit Limited to develop covered berry production on the Ngawha Innovation & Enterprise Park, and create local, full-time employment. Kaikohe Berryfruit Limited has been very well supported to date by local food stores receiving strong positive customer feedback coupled with great reviews on the quality of the fruit produced and its flavour. We are optimistic about the future opportunities that the Park will create to attract and grow new business and employment opportunities locally within a circular economy which positively impacts our environment.

Following approval by FNDC, FNHL established two wholly owned subsidiaries in 2022, Far North Housing Limited and Bay of Islands Marina Limited.

Far North Housing aims to actively identify and develop opportunities to deliver residential housing to address the needs in our communities, in a socially and commercially responsible manner. We are excited to commence our second project in partnership with Te Hau Ora O Ngāpuhi to develop 60 homes in Kaikohe over an 18-month period, with the first stage due to open in April 2023.

Bay of Islands Marina will manage the Bay of Islands marina assets, and oversee marine infrastructure and assets owned by FNHL in the Bay of Islands region.

For the last ten years, FNHL has supported the Far North by developing and managing property, maritime and aviation assets to have a positive impact in our community and future generations and operating profitably to provide dividends of over \$6.3 million for FNDC, helping to reduce the rates burden for FNDC ratepayers.

Nature and Scope of Activity

As Council's commercial trading organisation, FNHL exists to:

1. Manage, operate and develop commercial and infrastructure assets within its ownership in a commercial manner, or under the terms of any management agreement entered into;
2. Plan, facilitate and secure commercial outcomes and investment in its area of influence that support economic growth of the Far North District for the betterment of the district, in a socially, culturally and environmentally responsible way;
3. Create profits for its Shareholder and improve the Shareholder's asset value.

Decisions for which prior FNDC approval is required

The Company will seek approval from the Shareholder:

- Before entering any arrangements that provide commercial or infrastructural assets outside of the Far North District (the district);



- For decisions which will affect the Council Controlled Trading Organisation's (CCTO's) ability to meet any statutory responsibility;
- For any decisions which will significantly impact on any agreed service levels for a CCTO activity delivered to FNDC;
- For any decisions which will commit the FNDC to future provision of funding;
- For any decisions which are not based on a "full arm's length" commercial basis requiring FNDC approval to be shown in the accounts as such;
- Prior to divestment of any assets identified by FNHL and FNDC as strategic regional assets as listed below:
 - Bay of Islands Airport
 - Paihia Car Park and Countdown
 - Ngawha Innovation & Enterprise Park
 - Ministry of Education site, Kaitaia
 - Wharves and Ramp Infrastructure at Russell, Opua, Mangonui and Paihia
 - Te Hononga and ātea; or
- Prior to divestment of those assets where FNDC retain the first right to acquire upon disposal by FNHL.

In addition, the Company will:

- consult with the Shareholder on any changes to the structure of the company; and
- provide a report providing assurance that any such change will not adversely affect the profitability and risk profile of the company.

Economic conditions

As previously reported, we continue to feel some impact of COVID as a result of our exposure to the tourism and hospitality sector, noting our targeted financial support of tenants impacted by COVID lockdowns and regional border closures has now ceased. Tourism has recovered somewhat during 2022-2023, however, we are expecting tourism to take time to recover to levels experienced prior to COVID.

While these concessions had a direct financial impact on profitability, these measures were approved by the Board to support our business community and economic well-being and contribute towards regional economic recovery by helping business reduce cashflows and continue trading during difficult times.

The ongoing global economic uncertainty has seen New Zealand experience a rapid rise in inflation coupled with a significant increase in interest rates. This has created an economic environment which is putting significant cost pressure on both normal operating costs and development projects, impacting profitability.

While our diverse asset and revenue portfolio provide some financial resilience in tough financial times, we continue to apply careful financial and risk management to manage performance during these more difficult economic conditions, and continually review our asset portfolio for opportunities to rationalise. Accordingly, our projections reflect this outlook, and are based on existing approved projects only.



Strategic Direction

This SOI sets the strategic framework, activities, and performance measures we have set for the next three years to deliver the outcomes its Shareholder seeks.

We consider FNHL to be an enabler of FNDC's Vision for the Far North "A District of sustainable prosperity and well-being", and our strategic direction reflects this and the Mission of "creating great places, supporting our people". In setting our strategy, where appropriate, we also seek to align itself with FNDC's 2021/31 Long Term Plan (LTP), related Annual Plans and the Far North 2100 strategy; and in the spirit of "no surprises", we will communicate openly and transparently with FNDC on any changes to the strategic direction in the SOI.

Over the period of the SOI, FNDC will provide FNHL with any other documents that it should have knowledge of, whether they be in the consultation stage, or have been formally adopted, that reflect any changes to FNDC's vision or aspirations that FNHL needs to align with.

FNHL aims to grow asset values to \$200 million by 2027, and to generate increasing profitability to return to FNDC and the community. We will achieve this, having regard to the interests of our communities and stakeholders, by actively managing our commercial property, infrastructure and maritime assets for future generations and delivering residential housing to address the needs in our communities.

Objectives

As FNDC's commercial vehicle, FNHL will grow the value of shareholder funds, the return to FNDC over time and actively manage, develop and maintain regional infrastructure and assets and contribute to the four aspects of well-being in the communities in which we operate. We will achieve these objectives by undertaking the following actions:

1. Achieve sustainable, commercial returns from our combined asset portfolio to facilitate dividends to our shareholder;
2. Sustainably manage and maintain core community infrastructure and assets, in a socially and environmentally responsible manner which reflects and accommodates the interests of our stakeholders and communities when we are able to do so;
3. Deliver growth by identifying opportunities for investment and improved profitability, including development of a housing portfolio that helps to address community housing needs and consideration of opportunities proposed by FNDC;
4. Actively manage marine assets & infrastructure to support growth of the Bay of Islands Marina, the associated marine economy, and address climate change and environmental impacts;
5. Continue to develop the Ngawha Innovation & Enterprise Park to provide employment and skills-based training opportunities for our District and seek to attract value added manufacturing and processing business that will generate further employment opportunities;
6. Be a good employer by doing the right thing by employees; and
7. Using its portfolio: the Bay of Islands Airport, Bay of Islands Marina and the Ngawha Innovation & Enterprise Park, the company will look to maximise opportunities to attract high quality capital and investment into the region to support FNDC's goal of sustainable prosperity.



FNHL's SOI and performance measures are based on known projects with confirmed funding. The company will continue to evaluate other investment opportunities as they arise and will update FNDC if any new projects arise and, if necessary, work with FNDC to update our SOI.



Performance Measures

In our Quarterly Report, the Company will record its performance relating to its goals and objectives, which will be reviewed annually.

Strategic Focus	Objectives	Performance Target		
		2023 / 24	2024 / 25	2025 / 26
Financial "Achieve sustainable commercial returns"	Create value for ratepayers by increasing shareholder funds	Grow shareholder funds by > \$10 million	Grow shareholder funds by > \$5 million	Grow shareholder funds by > \$5 million
	Ratio of consolidated shareholder funds (defined as total equity) to total assets	Must exceed 50%	Must exceed 50%	Must exceed 50%
	Effective financial management to deliver profitability	Operating profit > \$1.0 million	Operating profit > \$2 million	Operating profit > \$2.5 million
	Return profit to FNDC by way of dividend, in line with dividend policy	Dividend payable > \$500,000	Dividend payable > \$1.0 million	Dividend payable > \$1.25 million
	Regular risk assessments undertaken and reported to FNDC, identifying key organisational risks and mitigants	6 monthly report submitted	6 monthly report submitted	6 monthly report submitted
	Insurance	Asset Insurance revaluation undertaken	Asset Insurance revaluation undertaken	Total Probable Loss Valuation undertaken (once every 4-years)
	Comply with banking covenants	Achieved	Achieved	Achieved
People "Be a good employer"	To make safety our priority to ensure health, safety and wellbeing of all employees and contractors in the Group	Health & Safety improvement plan in place, and being actioned	Health & Safety improvement plan in place, and being actioned	Health & Safety improvement plan in place, and being actioned
	Comply with our living wage policy for all permanent employees	Achieved	Achieved	Achieved
	Directors to make an effective contribution to the Board, with conduct in accordance with generally accepted standard	External Board effectiveness review	Board self - evaluation and report to FNDC	External Board effectiveness review



	Objectives	Performance Target		
		2023 / 24	2024 / 25	2025 / 26
Sustainability "Undertake sustainable investment and management for the benefit of future generations"	Commit to tangible action to measure climate impact and target reductions based on best practice	Following internal workshops carried out in 2022/23 the company will look to finalise and adopt a sustainability roadmap	Baseline measures reported, with climate impact improvement plan in place	Baseline measures reported, with climate impact improvement plan in place
	Ngawha Innovation & Enterprise Park to achieve best practice environmental standards	Submit a formal application for a Greenstar rating for NIEP	Environmental outcome measures defined as a baseline and reporting commences	Annual report of environmental measures against baseline
	Achieve and maintain Clean Marina certification	Achieved	Achieved	Achieved
	Meet or exceed all environmental obligations required under resource consents issued to the company, and address any notices received from environmental regulators promptly or within specified timeframes	Achieved	Achieved	Achieved
Community "Create economic & housing opportunities, with improving engagement and communication"	Encourage positive relationships with the community by having transparent engagement policies and monitoring key stakeholder perceptions	Stakeholder perceptions survey	Stakeholder perceptions survey	Stakeholder perceptions survey
	Ngawha Innovation & Enterprise Park developed to grow economic and employment opportunities in the Far North	5 businesses based at the Ngawha Innovation & Enterprise Park	8 businesses based at the Ngawha Innovation & Enterprise Park	8+ businesses based at the Ngawha Innovation & Enterprise Park
	Encourage positive and meaningful relationships with Māori by supporting project delivery or building long-term relationships if suitable opportunities or commercial ventures arise	3 + projects / relationships	5 + projects / relationships	5 + projects / relationships
	Identify opportunities to deliver social housing to meet local needs in partnership with Community Housing Providers (CHP's)	Develop at least 50 housing units	Develop at least 75 housing units (subject to funding availability)	Develop > 75 housing units (subject to funding availability)

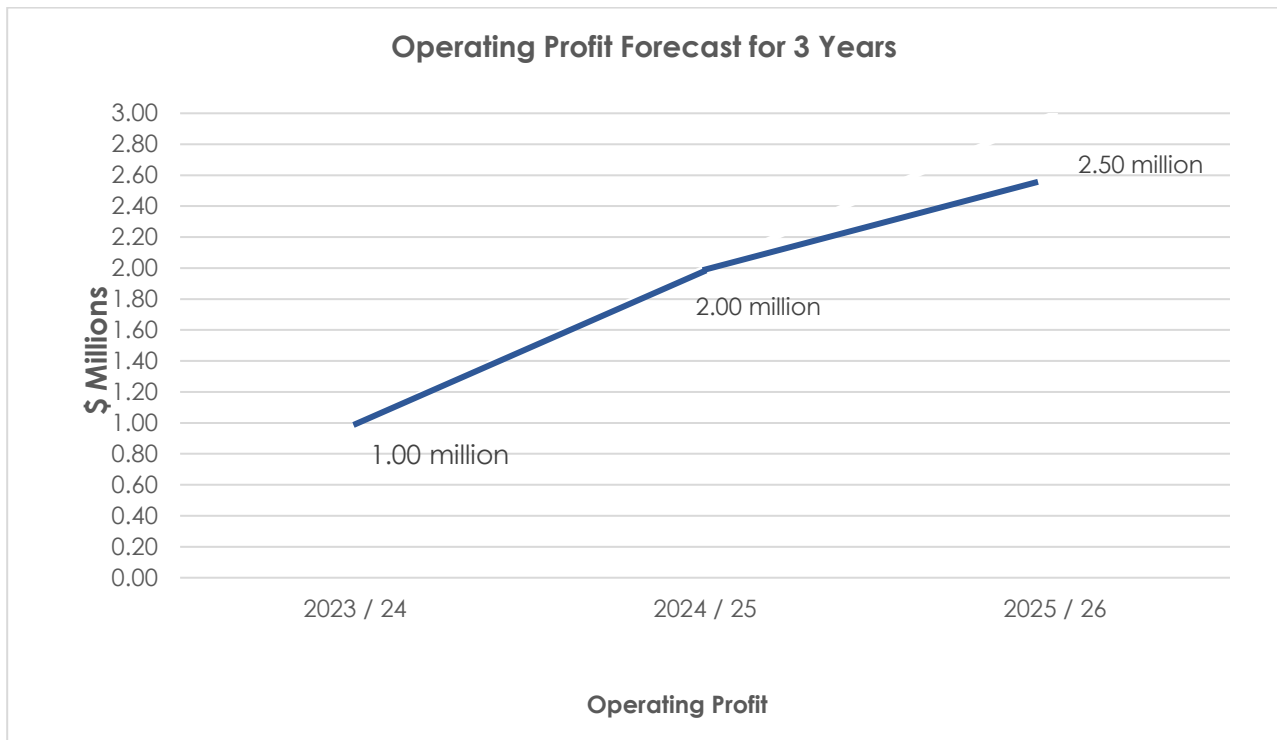


	Civil Aviation Authority Certification maintained for the BOI Airport to support regional tourism and business visitors	Achieved	Achieved	Achieved
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Financials

Operating Profit 3-year Forecast

Profitability forecasts for the next three years remain tight due to interest rate increases, inflation previously reported, lingering COVID impacts and the current phase of our development pipeline which means costs are incurred prior to full year revenue streams commencing. Profitability continues to build as tourism and hospitality sectors recover, Stage 1 of the Ngawha Innovation & Enterprise Park opens with cornerstone tenants, and social housing revenues commence.



Consolidated Shareholders' Funds and Total Assets

For the year ended 30th June 2022, consolidated Shareholders' funds, as a ratio to total assets was 53.8%. The Company's Annual Report shows equity was \$90.25 million and total assets were \$167.62 million.

The target ratio of consolidated shareholders' funds to total assets is not expected to reduce below 50% for the period covered by this SOI.

The Directors review the appropriateness of this target ratio annually.

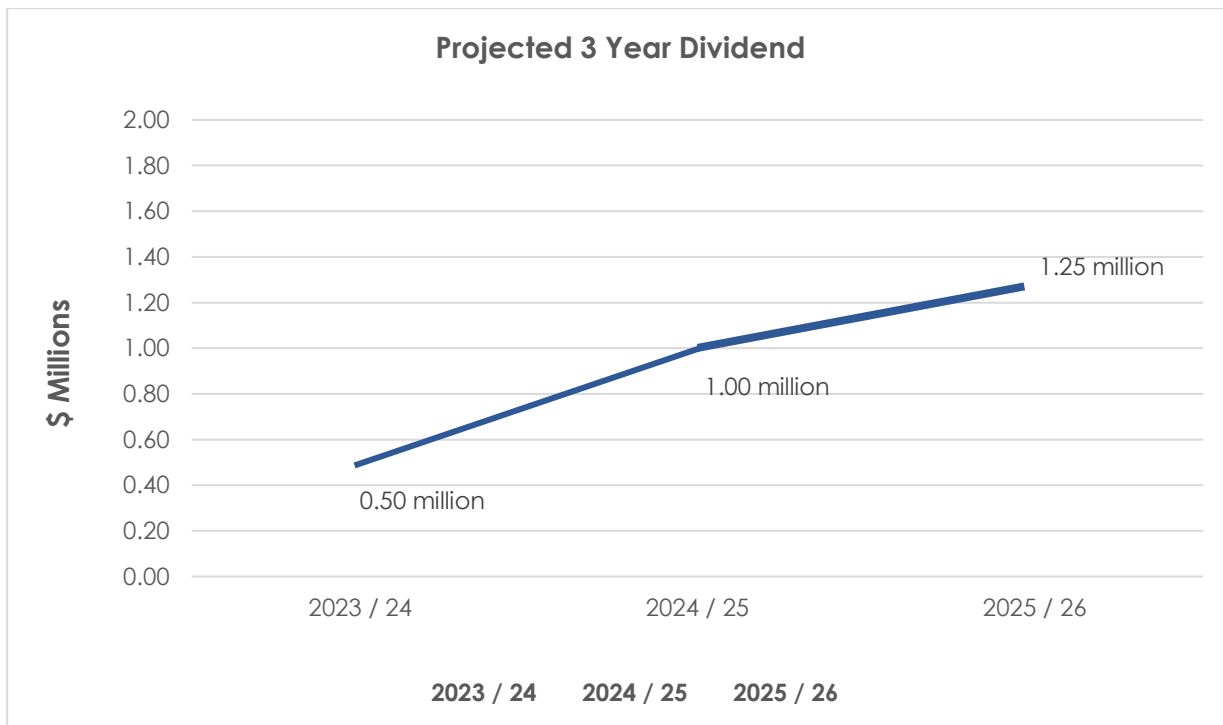


Dividend Policy

Dividend

FNHL will pay a dividend of 50% of its after-tax operating profit to the Shareholder on 28th February in the following financial year, unless there is agreement to an alternative use of these funds that has commercial or future benefit. This will be in the most tax efficient manner, and after consultation with the Shareholder. Should a dividend not be paid in any year, we will provide an explanation as to the causes behind it.

For the following years the company will endeavour to pay the following minimum dividends, however we acknowledge the importance of this income stream to FNDC to mitigate increased costs to ratepayers. Accordingly, the company will proactively seek to maximise dividend returns to FNDC to exceed the minimum commitments.



Accounting Policies

FNHL is a for-profit Tier 2 entity that has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards and generally accepted accounting practice.

The financial statements of the Company are prepared in accordance with the requirements of the Local Government Act 2002, Part 5, Section 67 which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS (RDR)").



Additional disclosures are required to meet the needs of the Shareholders reporting requirements.

Significant Accounting Policies can be found on the Far North Holdings Website located within in our latest Annual Report:

[Annual Reports – Far North Holdings Ltd \(www.fnhl.co.nz\)](http://www.fnhl.co.nz)

Reporting to Shareholder

FNHL will provide Quarterly Reports to its Shareholder in -October, January and April, and an Annual Report in September, including a Statement of Financial Performance and Statement of Financial Position, with prior year comparatives and commentary of performance against budget. Management will also be available to present at FNDC's Assurance, Risk and Finance Committee, where required, to present regular reports and address any queries.

We will also provide quarterly Health & Safety Reports, six monthly Risk Management Reports and a Sustainability roadmap annually.

Transactions with FNDC

In transactions with FNDC for the provision of goods and / or services, FNHL will seek trading terms and conditions applicable to external customers.

Acquisition of Shares

If FNHL wishes to acquire shares in another company or organisation, it will notify its Shareholder at least 30 days in advance.

Commercial Value of Shareholder's Investment

The Directors estimate the commercial value of the Shareholders' investment to be no less than the Shareholders' funds.

The value ascribed to shareholders' funds will be that stated in the annual Statement of Financial Position of the Company as at the end of the financial year preceding each SOI. This value is reviewed annually as part of year-end financial reporting processes.

Shareholder Funds in the Annual Report as at 30 June 2022 stood at \$90.25 million.

Board's Approach to Governance

Current Board Membership

- William Birnie CNZM (Chairman - term ends 31 July 2023)
- Sarah Petersen (Chair Audit & Risk – term ends 31 March 2024)
- Hon Murray McCully CNZM (term ends 31 March 2024)
- Kevin Drinkwater (term ends 31 May 2025)
- Nicole Anderson (term ends 31 May 2025)



Pursuant to Section 57 LGA, the Board of Directors is appointed by the Shareholder to govern and direct the activities of the Company, in accordance with the Appointment and Remuneration of Directors for Council Organisations Policy. All Directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Code of Ethics. The Directors' role is defined in Section 58 of LGA. This section states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the organisation and its SOI. The Board consults with the Company's Shareholder in preparing and reviewing the Statement of Intent.

In undertaking its activities, the Board of FNHL will exhibit and ensure:

1. Sound business practice in its commercial undertakings, operating as an efficient and effective business;
2. Ethical and good behaviour in dealing with all parties;
3. An active partnership approach with Māori, and all other people in business throughout the Far North, promoting effective communication where appropriate;
4. To comply with all relevant legislative requirements including those relating to the principles of the Te Tiriti o Waitangi;
5. In the spirit of "no surprises", keep the Shareholder informed on significant events and issues, including those sensitive to publicity that may arise from FNDC being a political organisation;
6. Operate according to the best practice statements produced from time to time by the Institute of Directors in New Zealand;
7. That Council's vision and aspirations are considered whilst conscious that FNHL needs to contribute to the overall financial performance of FNDC; and
8. FNHL is a good employer in accordance with the legislative guidelines set by Government.

The Board will adopt the following approach to its fiduciary responsibilities to ensure good governance:

- Define its organisation structure and individual accountabilities by ensuring management have clearly defined job descriptions;
- Set corporate budgets, and regularly monitor performance against these;
- Delegate both responsibility and authority to its Chief Executive;
- Hold regular board meetings to monitor progress towards the Company's goals and objectives, and manage risks; and
- Act in accordance with the Constitution and SOI.

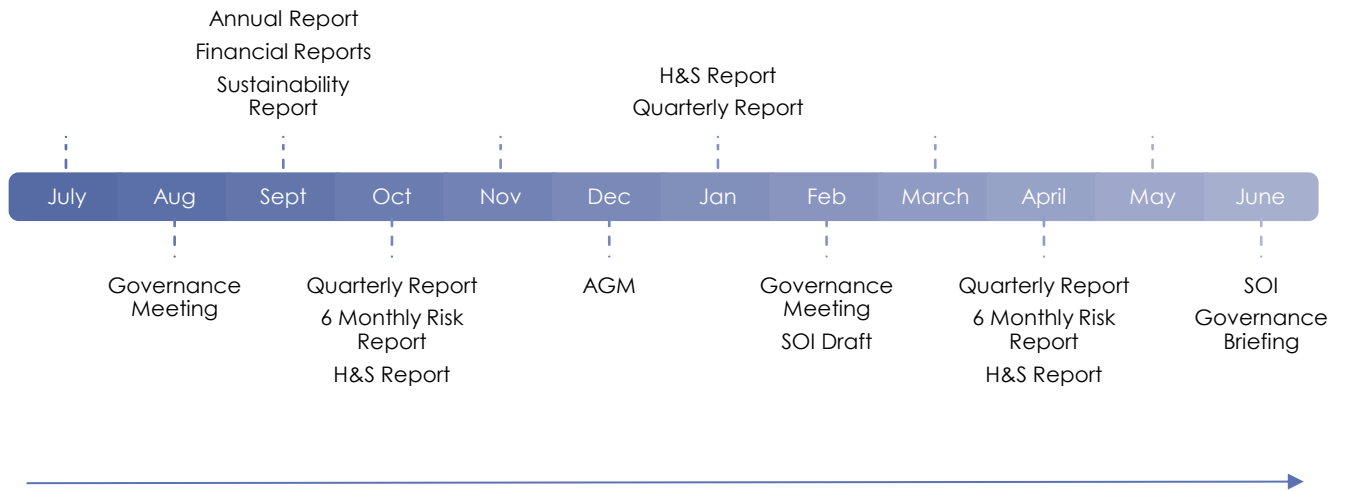
Engagement with the Shareholder

FNHL and our Shareholder agree that regular and transparent communication is essential to ensure the implementation of good governance within FNHL and the Shareholder. Accordingly, both parties agree to maintain a high level of communication between each other, the Chief Executives, and their respective management teams. They will use their best endeavours to communicate in a timely manner and raise any issues to ensure a "no surprises" approach.

The below summarises the regular reporting and communication between FNHL and FNDC which incorporates both the statutory requirements, and other 'touch-points' which are intended to maintain strong, open and regular lines of communication between the organisations.



Table 1: Communication & Reporting



Regular and ongoing operational engagement, as required, and timely responses to matters raised

In addition, representatives from FNHL will attend Community Board meetings at least once a quarter to update them on current projects and plans that affect their Ward and will include regular communication with the relevant board when physical works are to commence in the Ward.

FNHL will attend iwi and hapū forums, where invited, and is available to attend community or FNDC sessions where appropriate, or invited, should agenda items require our presence.

Commitment of the Shareholder

The Board aims to ensure that the Shareholder is informed in a timely manner of all major developments affecting the Company's situation. The Shareholder is consulted with on the review of the Company's SOI and is responsible for the appointment of Directors. Information is communicated to the Shareholder in the Annual Report, Quarterly Reports, Risk Management Reports and the Sustainability Report, and special meetings where required.

The Shareholder is expected to:

- Deal with issues by the Company in a prompt and expedient manner;
- Maintain a high level of communication with the Company on relevant matters; and
- Ensure transparent and collaborative relationships are maintained with the Company.