



**Far North
Holdings Limited**

ANNUAL REPORT

2021/22



FAR NORTH HOLDINGS LIMITED

ANNUAL REPORT 2022

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**FAR NORTH HOLDINGS LIMITED
COMPANY DIRECTORY
AS AT 30 JUNE 2022**

Nature of Business	Property and infrastructural investment, management, development, operations and services
Registered Office	Unit 9b, 15 Baffin Street Opuā
Directors	William Birnie CNZM LLB (Chair) Kevin Baxter BCom (Ag) Resigned 31 May 2022 Hon Murray McCully CNZM CF LLB Sarah Petersen BMS Hons, FCA Nicole Anderson CMinStD appointed 1 June 2022 Kevin Drinkwater BCom, CA appointed 1 June 2022
Independent Auditor	Deloitte New Zealand
Bankers	Bank of New Zealand
Business Locations	Opuā, Kerikeri, Kaitiāia, Kaikohe and wider Northland area
Shareholders	Far North District Council
Share Capital	\$18,000,000



**CHAIRMANS REPORT
For the 12 months ended 30 June 2022**

In accordance with Part 5, Section 67 of the Local Government Act 2002 and Far North Holdings Limited ("FNHL") Statement of Intent for the three years to June 2024 the Directors hereby report on the activities of the company for the 12 months from 1 July 2021 to 30 June 2022. Following are FNHL's Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash Flows, for the year ended 30 June 2022.

This financial year has again been challenged by the lingering and prolonged effects of the COVID pandemic and associated lockdowns. The restrictions implemented throughout New Zealand continued to impact FNHL, however, a diverse portfolio of assets and strong financial management afforded a modest profit for the year. This performance enabled the Company to continue to provide rent relief to affected tenants.

The FNHL Board is pleased to confirm a trading profit of \$383k. Whilst there is a reduction in operating profit from the prior year result, the Board remains committed to delivering those development projects that, whilst creating a commercial return, will also deliver strong economic, cultural and social outcomes. We acknowledge that significant capital expenditure and interest cost is incurred while developments are under construction, but upon completion the projects become income producing with expected revenue then realised. Total comprehensive income was \$17.49m (2021 \$11.26m) and includes the revaluation of assets and investments with an increase of \$17.56m (2021 \$8.83m).

Shareholder's equity in the year increased to \$90.25m from \$73.25m in 2021. FNHL's overdraft and borrowings have increased by \$11.36m whilst FNHL's assets increased by \$31.53m to \$167.62m. This was assisted by \$5.32m from Kānoa Regional Economic Development and Investment Unit funding and the capital expenditure on Ngāwhā Innovation and Enterprise Park (the Park) development.

The growth in asset value also reflects capital expenditure at the Bay of Islands Airport for the Avis building and the completion of the 18 community housing units in Kamo. During the financial year FNHL also purchased property in Dargaville which is for a 46-unit community housing development with opportunity for further development.

This year FNHL established two 100% owned subsidiaries, Bay of Islands Marina Limited, and Far North Housing Limited. These subsidiaries are anticipated to come fully operational during the 2022-2023 financial year and add an increased level of focus and industry sector experience in the governance and operation of these assets.

On the 1st of October 2021 FNHL boosted its initial 19% shareholding in Kaikohe Berryfruit Limited Partnership (KBLP) to 24% as Onyx Capital Limited, which held 21% of the Limited Partnership, exited the Limited Partnership. Ngāpuhi Asset Holding Company Limited acquired the additional 16% ownership. The latter part of the financial year saw the company begin the preparation and production of 3.3ha of strawberries (204,000 plants) on single tray tables to be marketed with Market Gardeners Limited ("MGs") for sale on the domestic market under the Kaikohe Berryfruit label. KBLP is continuing to assess crops and planting options for the remaining 6.6ha of tunnel houses that best suit the local climatic conditions and labour market as it continues to establish itself while delivering a substantial boost to employment opportunities for the Kaikohe area and further afield.

FNHL completed the re-development of several maritime projects during the year which included four Hokianga maritime upgrades with the districts longest recreational maritime facility at Rangī Point at over 180m long. A jetty and pontoon were completed for Te Ahurea in the Kerikeri Basin in conjunction with Te Rūnanga o Ngāti Rēhia. A new commercial wharf, pontoon, boat ramp and carpark at Pukenui Wharf, as well as upgrades at Unahi Wharf and the Mangonui Waterfront Development. In Russell, a project involving the wharf area encompassed a Waharoa (Entrance) and Wero (Challenge), while also acknowledging tikanga Māori and Māoritanga protocols and practices. This project was done in collaboration with the Kororāreka Wharf and Maritime Trust and Marae Committee.

The Bay of Islands Marina continued its on-going refurbishment work on Stage 1 replacing finger pile guides with stainless steel guides and replacing and sleeving over 140 finger piles. Pile heights were lifted an additional 750mm to accommodate sea level rise and to match heights in Stage 2. Also completed was the resurfacing of the boatyard hardstand to further improve the environmental outcomes in water catchment treatment and discharge. This upgrade includes the installation of catchpits where heavy metals from stormwater run-off is collected prior to discharge into the marina.

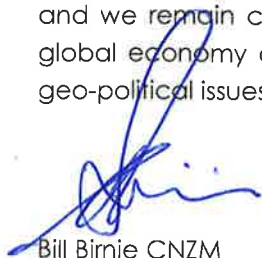
The Park development, which supports the aspirations of the local and wider Te Tai Tokerau community won the inclusive development award at the 2021 Economic Development New Zealand (EDNZ) Awards. Designed and developed by FNHL in conjunction with mana whenua Ngāti Rangī, Tinakori Enterprise and the local business community, with support from the regional economic development agency Northland Inc. The Park will significantly grow the economic potential of the entire region and local community and is founded on two guiding principles, "Opportunity", for businesses and community development and "Wellbeing", of the people and the land.

The Park is now well advanced with Stage 1 less than six months away from opening. Regent and Te Pūkenga will deliver the Far North's first true purpose-built campus-based education and trades training facilities. FNHL will move its office to the Innovation Centre alongside Northland Inc. FNHL believe the next 5-10 years of growth is likely to be around the future development of the Park and so to support this we need to be present on-site.

Designed to achieve economic, social, cultural, and environmental outcomes in a uniquely integrated and sustainable way, the Park is seeking to attain a "5 Green Star" rating, the first for this type of development in New Zealand. It is designed as a 'closed loop' eco-system where on-site businesses re-use waste products from other industries, add value to the waste products thus creating additional economic activity and employment.

The coming year includes some exciting projects with the Park officially opening, work commencing in Kaikohe on our second community housing project with Te Hau Ora Ō Ngāpuhi, the start of construction work on the Department of Corrections House building facility at the Park and the master planning at Kaitiāia.

The Board is currently completing a financial review of the company and updating budgets to provide information for the Statement of Intent for the 2023-2026 period. Future profit is set to rise, and we remain cautiously optimistic for a strong few years ahead subject to the stability of the global economy as rising interest rates and inflation continue to impact along with international geo-political issues.



Bill Birnie CNZM
CHAIRMAN

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF FAR NORTH HOLDINGS LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Far North Holdings Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Bennie Greyling, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group, on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 10 to 38, that comprise the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Group on pages 39 to 41.

In our opinion:

- the financial statements of the Group on pages 11 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its 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 Reduced Disclosure Regime; and
- the performance information of the Group on pages 39 to 41 presents fairly, in all material respects, the Group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Group's objectives for the year ended 30 June 2022.

Our audit was completed on 6 March 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by the Local Government Act 2002. This was due to the late timing of our appointment due to the auditor shortage in New Zealand.

The basis for our opinion is explained below. 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.

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 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 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 Group for assessing the Group's ability to continue as a going concern. 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 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.

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 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 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 Group's ability to continue as a going concern. 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 Group to cease to continue as a going concern.

- 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 2 to 9 and 42 to 44 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 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: International 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 Group.



Bennie Greyling
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

**FAR NORTH HOLDINGS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2022**

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 30 June 2022 and the independent auditor's report thereon.

Approved for and on behalf of the Board of Directors.



Director



Director

6/03/23
Date

**FAR NORTH HOLDINGS LIMITED
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2022**

The Board of Directors of Far North Holdings Limited hereby confirm they are responsible for ensuring, and has in place appropriate systems and mechanisms to ensure, that all applicable aspects of legislative, regulatory and contractual requirements which impact on the activities and functions of Far North Holdings Limited have been complied with. To the best of its knowledge the Board of Directors has complied with all legislative, regulator and contractual requirements during the year.



Director



Director

FAR NORTH HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Revenue from contracts with customers	4	14,881,018	14,097,587
Other income	5	433,694	1,871,775
		<u>15,314,712</u>	<u>15,969,362</u>
Employee benefits expenses	6	4,136,157	3,711,400
Depreciation and amortisation expenses	8	959,036	850,118
Other expenses	7	8,238,390	7,202,301
Operating profit before net financing costs		<u>1,981,129</u>	<u>4,205,543</u>
Finance income		497	26,267
Finance expenses		1,598,392	1,220,183
Net finance costs	9	<u>1,597,895</u>	<u>1,193,916</u>
Profit prior to movements in investment properties, share of associate and other non operating movements		383,234	3,011,627
Share of post-tax profits/(losses) of equity accounted associates	14	(142,043)	(2,217)
Devaluation of biological assets	17	(873,900)	(419,410)
Revaluation of investment property	12	15,285,017	6,709,429
Profit/(loss) before income tax		14,652,308	9,299,429
Income tax expense	10	(177,699)	(75,665)
Profit/(loss) for the period		<u>14,474,609</u>	<u>9,223,764</u>
Other comprehensive income items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	11	3,151,095	2,532,996
Share of associates other comprehensive income	14	265,320	
Revaluation/(evaluation) of equity investments	15	(131,234)	3,052
Tax on items that will not be reclassified to profit or loss	10	(273,957)	(503,215)
Other comprehensive income for the year net of tax		<u>3,011,224</u>	<u>2,032,833</u>
Total comprehensive income for the year		<u>17,485,833</u>	<u>11,256,597</u>

FAR NORTH HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share Capital	Property Revaluation Reserve	Equity Investment Reserve	Building & Maintenance Reserves	Capital Reserve	Retained Earnings	Total Equity
	\$	\$		\$	\$	\$	\$
Balance at 1 July 2020	18,000,000	7,546,587	(159,124)	307,777	71,804	36,645,168	62,412,212
Profit for the year	-	-	-	-	-	9,223,764	9,223,764
Other comprehensive income for the year	-	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	2,029,781	3,052	-	-	-	2,032,833
Total comprehensive income for the year	-	2,029,781	3,052	-	-	9,223,764	11,256,597
Transfers	-	-	-	232,114	-	(232,114)	-
Transactions with owners of the company in their capacity as owners	-	-	-	-	-	-	-
Additional share capital	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(422,795)	(422,795)
Total transactions with owners of the company	-	-	-	-	-	(422,795)	(422,795)
Balance at 30 June 2021	18,000,000	9,576,368	(156,072)	539,891	71,804	45,214,023	73,246,014
Balance at 1 July 2021	18,000,000	9,576,368	(156,072)	539,891	71,804	45,214,023	73,246,014
Profit for the year	-	-	-	-	-	14,474,609	14,474,609
Other comprehensive income for the year	-	-	-	-	-	265,320	265,320
Revaluation of property, plant and equipment	-	2,877,138	(131,234)	-	-	-	2,745,904
Total comprehensive income for the year	-	2,877,138	(131,234)	-	-	14,739,929	17,485,833
Transfers	-	-	-	(439,957)	-	439,957	-
Transactions with owners of the company in their capacity as owners	-	-	-	-	-	-	-
Additional share capital	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(483,063)	(483,063)
Total transactions with owners of the company	-	-	-	-	-	(483,063)	(483,063)
Balance at 30 June 2022	18,000,000	12,453,506	(287,306)	99,934	71,804	59,910,846	90,248,784

FAR NORTH HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	18,000,000	18,000,000
Reserves	21	12,337,938	10,031,991
Retained earnings		59,910,846	45,214,023
Total Equity		<u>90,248,784</u>	<u>73,246,014</u>
LIABILITIES			
Non - Current Liabilities			
Interest-bearing loans and borrowings	22	38,659,962	37,124,992
Income in advance	25	12,239,161	10,227,914
Deferred tax liability	10	3,879,788	3,428,132
Total Non - Current Liabilities		<u>54,778,911</u>	<u>50,781,038</u>
Current Liabilities			
Trade and other payables	24	6,832,584	5,804,394
Employee benefits	23	360,341	246,477
Interest-bearing loans and borrowings	22	11,500,000	1,671,240
Income in advance	25	668,731	695,836
Government grants not yet spent		3,233,075	3,642,644
Total Current Liabilities		<u>22,594,731</u>	<u>12,060,591</u>
Total Liabilities		<u>77,373,642</u>	<u>62,841,629</u>
Total Equity and Liabilities		<u>167,622,426</u>	<u>136,087,643</u>

FAR NORTH HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
ASSETS			
Non - Current Assets			
Property, plant and equipment	11	29,744,351	25,413,261
Investment property	12	128,777,304	100,409,919
Biological assets	17	310,250	1,184,150
Intangible assets	13	100,000	100,000
Other investments/loans	15	665,000	-
Investments in equity accounted associates	14	1,355,242	1,232,203
Total Non - Current Assets		160,952,147	128,339,533
Current Assets			
Inventories	16	1,597,028	1,690,653
Properties intended for sale	26	1,360,042	1,558,678
Other investments/loans	15	(665,000)	573,768
Trade and other receivables and prepayments	18	2,976,094	3,837,729
Cash and cash equivalents	19	294,581	87,282
Total Current Assets		5,562,745	7,748,110
Total Assets		166,514,892	136,087,643

Approved for and on behalf of the Board of Directors

Director

Date

6/03/23

Director

Date

6/3/23

FAR NORTH HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022	2021
Cash flows from operating activities		\$	\$
Cash receipts from customers		17,664,760	15,218,126
Cash paid to suppliers and employees		(11,093,043)	(8,097,821)
GST received/(paid)		(16,741)	(539,354)
Interest received		497	26,267
Interest paid		(1,598,392)	(1,057,605)
Income tax received/(paid)		144,787	(201,708)
Net cash inflow/(outflow) from operating activities		5,101,868	5,347,905
Cash flows from investing activities			
Purchase of property, plant and equipment and investment property, and biological assets		(17,262,766)	(4,381,700)
(Purchase)/sale of investments		(665,000)	(1,232,203)
Proceeds from sale of property, plant and equipment and investment property		2,152,530	890,544
Net cash inflow/(outflow) from investing activities		(15,775,236)	(4,723,359)
Cash flows from financing activities			
Loan advance/(repayment)		11,363,730	(146,300)
Dividends paid		(483,063)	(422,795)
Net cash inflow/(outflow) from financing activities		10,880,667	(569,095)
Net increase/(decrease) in cash and cash equivalents		207,299	55,451
Cash and cash equivalents at beginning of year		87,282	31,831
Cash and cash equivalents at end of year	19	294,581	87,282

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. REPORTING ENTITY

Far North Holdings Limited (the "Company") is a company registered under the Companies Act 1993.

It is a Council Controlled Trading Organisation (CCTO) as defined in the Local Government Act 2002. The Company is wholly owned by the Far North District Council.

The consolidated financial statements comprise the results of Far North Holdings Limited (FNHL) and its subsidiaries (together the Group) and the results of the Group's equity accounted associates.

2. BASIS OF PREPARATION

Far North Holdings Limited owns 24% of Kaikohe Berry Limited Partnership. This has been accounted for as a share in an associate using the equity method. The company also owns 100% of the shares in Bay of Islands Marina Limited and Far North Housing Limited.

The financial statements have been prepared on a going concern basis. This is supported by:

- FNHL has the potential to defer capital expenditure, should it be required
- Continued support from FNHL's banking partners - refer note 22 for further details
- FNHL is expected to be solvent and able to meet cashflow obligations whilst remaining within banking covenants.

The accounting policies have been applied consistently throughout the period.

(a) Statement of Compliance

The financial statements of the Group have been 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)").

The Group is a Tier 2 For-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards as issued by the New Zealand External Reporting Board (XRB). The Group is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR the company has applied a number of disclosure concessions.

Breach of Statutory Reporting Deadline

Far North Holdings Limited was required under the Local Government Act to complete its audited financial statements and service performance information by 30 November 2022. This timeframe was not met due to the late appointment of the auditor as a result of the auditor shortage in New Zealand.

(b) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Group's functional presentation currency, rounded to the nearest dollar.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value.

- Investment property
- Land and buildings, wharves and runways
- Financial instruments - fair value through other comprehensive income

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

2. BASIS OF PREPARATION (continued)

(d) Use of Estimates and Judgements

The Group makes certain estimates regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment useful lives and residual values

At each balance date the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Profit or Loss and Other Comprehensive Income, and carrying amount of the asset in the Statement of Financial Position. The Group minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Group has not made significant changes to past assumptions concerning useful lives and residual values.

Fair value measurement

A number of assets and liabilities in the Group's financial statements require measurement at, and/or disclosure of fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

Level 1: Quoted prices in an active market for identical items

Level 2: Observable direct or indirect inputs other than level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The Group measures a number of items at fair value - revalued property, plant and equipment, investment property, equity investments, and biological assets. For more detailed information on the fair value measurement of these items please refer to the applicable notes.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(b) Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

(c) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Employee Benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date. The Company recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(f) Property, Plant and Equipment

(i) Recognition and measurement

Land, runways, wharves and buildings are measured at fair value, less accumulated depreciation (except for land) and accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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.

All other property plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any revaluation surplus arising on the revaluation of an asset is credited to other comprehensive income and shown in the asset revaluation reserve in the Statement of Financial Position. A revaluation deficit in excess of the asset revaluation reserve balance for an asset is recognised in the profit or loss in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the profit or loss are recognised in the profit or loss.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Any revaluation surplus on disposal of an item of property, plant and equipment is recognised in retained earnings.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value, and for runways wharves and buildings is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. Assets under construction are not subject to depreciation.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings and structures - 33 years

Plant, fittings and office equipment - 3-20 years

Wharves - 33 years

Ramps and moorings - 33 years

Motor vehicles, boat transporters - 5-15 years

Runways, including all airport infrastructure / civil works assets - 25 years

Leasehold improvements - 29 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate. (see note 11).

(g) Intangible Assets

(i) Goodwill

Goodwill that arises upon the acquisition of a business is presented with intangible assets.

(ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

FAR NORTH HOLDINGS LIMITED
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Intangible Assets (continued)

(v) Amortisation

Except for goodwill and intangible assets that have indefinite lives or are not yet available for use, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Computer software 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(i) Associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Company's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income.

Profits and losses arising on transactions between the Company and its associate are recognised only to the extent of unrelated investors' interest in the associate.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any damaged and obsolete stock items. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

FAR NORTH HOLDINGS LIMITED
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FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Biological Assets

Biological assets are measured at fair value less point-of-sale costs, with any changes therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Agricultural produce from biological assets are transferred to inventory at its fair value, by reference to market prices for honey, less estimated point-of-sale costs at the date of harvest.

(l) Share Capital

The Group has ordinary shares and convertible non participating redeemable shares. Refer note 20 for details.

(m) Properties Intended for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, and the sale is highly probable, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, the Group's intangible assets and property, plant and equipment are no longer amortised or depreciated.

(n) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. Financial instruments are comprised of trade and other receivables, cash and cash equivalents, debt securities, other financial assets, trade and other payables, borrowings and other financial liabilities.

Financial assets and financial liabilities are offset only when the entity has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and liability simultaneously. The right of set off must not be contingent on a future event, and must be legally enforceable in the normal course of business, and in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

The Group initially recognises financial instruments on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial Instruments (continued)

The Group has the following categories of financial assets;

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market, are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less and impairment losses (see note 3 (q)). These comprise of cash and cash equivalents, trade and other receivables and short term loans.

Fair value through Other Comprehensive Income

Equity investments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition they are measured at fair value, with all gains and losses recognised in other comprehensive income. Changes to fair value are not subsequently recycled to profit and loss. Dividends are recognised in profit or loss.

(o) Financial liabilities

The Group initially recognises debt securities on the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies financial liabilities into the amortised cost category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment (continued)

(ii) Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Non-financial assets

The carrying amounts of the Group's property, plant and equipment held at cost and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (Company of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (Company of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FAR NORTH HOLDINGS LIMITED
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income in Advance

Income in advance represents rental income received for future periods calculated on a straight line basis over the term of the lease. Car parks and marina berths lease income is spread to 2033 or 2049 if an extension has been granted.

(r) Government Grants

Government Grants received for assets have been deducted in arriving at the carrying amount of the assets. Where retention of a government grant is dependent on the Group satisfying certain criteria it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the carrying amount of the asset.

(s) Covid-19 Considerations

An assessment over the carrying value of assets and liabilities has been performed and the Group has recognised provisions where necessary relating to the impact of COVID-19. The Group continues to operate as a going concern and the board and senior management continue to closely monitor the situation.

FAR NORTH HOLDINGS LIMITED
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4. REVENUE FROM CONTRACTS WITH CUSTOMERS	2022	2021
	\$	\$
Goods sold	2,472,796	1,963,430
Services	7,807,627	7,630,351
Commission	52,174	63,191
Rental income	4,548,421	4,440,615
Total revenue from contracts with customers	14,881,018	14,097,587

5. OTHER INCOME	2022	2021
	\$	\$
Government wage subsidy	111,836	-
Non-Government grants received		1,865,108
Gain on sale of investment property	295,203	-
Depreciation recovered	26,655	6,667
Total other income	433,694	1,871,775

6. EMPLOYEE BENEFIT EXPENSES	2022	2021
	\$	\$
Salaries and wages	3,932,932	3,593,822
Contributions to Kiwisaver	105,058	96,844
Increase/(decrease) in employee benefit liabilities	98,167	20,735
Total employee benefit expenses	4,136,157	3,711,400

7. OTHER EXPENSES	2022	2021
	\$	\$
Fees to principal auditor		
Audit fees for current year	84,914	79,919
Directors' compensation:		
Directors fees	212,268	129,631
Donations	96,710	78,792
Inventories	2,040,606	1,594,232
Impairment of receivables	(79,031)	185,012
Loss on disposal of property, plant and equipment	-	28,304
Minimum lease payments under operating leases	61,065	60,318
Direct expenses from investment property generating income	1,362,153	1,276,785
Other operating expenses	4,459,705	3,769,308
Total other expenses	8,238,390	7,202,301

8. DEPRECIATION AND AMORTISATION	Note	2022	2021
		\$	\$
Depreciation property, plant & equipment	11	959,036	850,118
Total depreciation		959,036	850,118

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

9. NET FINANCE COSTS

<i>Recognised in profit or loss:</i>	2022	2021
	\$	\$
Finance Income		
Interest income on loans and receivables	497	26,267
Finance Expense		
Interest expenses on financial liabilities measured at amortised cost (including finance leases)	1,598,392	1,220,183
Net finance costs	<u>1,597,895</u>	<u>1,193,916</u>

10. INCOME TAX

a) Income tax recognised in profit or loss and other comprehensive income

Income tax recognised in profit or loss:	2022	2021
	\$	\$
Current tax	-	-
Deferred tax expense	177,699	75,665
Total income tax expense	<u>177,699</u>	<u>75,665</u>
Income tax recognised in other comprehensive income:	<u>273,957</u>	<u>503,215</u>
Aggregate current and deferred tax relating to items in other comprehensive income	273,957	503,215

b) Reconciliation of income tax expense

Profit / (loss) before income tax expense	14,652,308	9,299,429
Tax expense at 28%	4,102,646	2,603,840
Permanent differences	(141,415)	(470,544)
Other movements	(3,783,532)	(2,057,631)
Tax expense	<u>177,699</u>	<u>75,665</u>

c) Deferred tax

	2022	2021
	\$	\$
Balance at the beginning of the year	3,428,132	2,849,252
Current year movement	451,656	578,880
Deferred tax asset/(liability)	<u>3,879,788</u>	<u>3,428,132</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

10. INCOME TAX (continued)

Deferred tax assets/(liabilities) are attributable to the following:

	2022	2021
	\$	\$
Property, plant and equipment other	873,394	642,242
Property, plant and equipment buildings	60,908	245,966
Investment property	3,307,279	2,714,375
Biological assets	(231,263)	(47,169)
Employee benefits	(86,416)	(58,930)
Other items	(44,114)	(68,352)
Deferred tax asset/(liability)	<u>3,879,788</u>	<u>3,428,132</u>

FAR NORTH HOLDINGS LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

10. INCOME TAX (continued)

d) Movement in deferred income tax assets and liabilities

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Balance at 30 June 2020	Recognised in Profit or loss	Recognised in other comprehensive income	Balance at 30 June 2021	Recognised in Profit or loss	Recognised in other comprehensive income	Balance at 30 June 2022
	\$	\$	\$	\$	\$	\$	\$
Property, plant and equipment other	487,997	(348,970)	503,215	642,242	(7,477)	238,629	873,394
Property, plant and equipment buildings	206,887	39,079	-	245,966	(220,386)	35,328	60,908
Investment property	2,265,225	449,150	-	2,714,375	592,904	-	3,307,279
Biological assets	(24,273)	(22,896)	-	(47,169)	(184,094)	-	(231,263)
Employee benefits	(53,124)	(5,806)	-	(58,930)	(27,486)	-	(86,416)
Other items	(33,460)	(34,892)	-	(68,352)	24,238	-	(44,114)
Total	2,849,252	75,665	503,215	3,428,132	177,699	273,957	3,879,788

From 1 July 2007 FNHL formed a consolidated group for tax purposes with Far North District Council. FNHL's subsidiaries joined the consolidated tax group from the date FNHL took ownership of the shares.

The tax profits in the Group are automatically offset against tax losses in Far North District Council.

FNHL and its subsidiaries do not maintain their own imputation credit accounts as they are part of a consolidated group.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Runways	Wharves	Ramps & moorings	Plant, fittings and office furniture	Motor vehicles, boat transporters	Leasehold improvements	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or Valuation										
Balance at 1 July 2021	8,816,593	9,101,605	3,276,867	2,161,283	87,264	3,056,036	1,639,360	163,923	125,000	28,427,931
Additions		2,816,772				307,075	70,022		192,198	3,386,067
Disposals						(117,341)	(23,331)		(125,000)	(265,672)
Reclassified to property for sale	(385,000)	(596,364)								(981,364)
Revaluations	2,172,678	126,171	767,553	84,693						3,151,095
Balance at 30 June 2022	10,604,271	11,448,184	4,044,420	2,245,976	87,264	3,245,770	1,686,051	163,923	192,198	33,718,057
Accumulated depreciation and impairment										
Balance at 1 July 2021		(6,667)			24,907	2,215,276	749,996	31,158		3,014,670
Disposals										
Depreciation		305,562	131,075	65,493	2,634	294,257	153,806	6,209		959,036
Elimination on revaluation										
Balance at 30 June 2022	-	298,895	131,075	65,493	27,541	2,509,533	903,802	37,367	-	3,973,706
Net book value										
At 30 June 2021	8,816,593	9,108,272	3,276,867	2,161,283	62,357	840,760	889,364	132,765	125,000	25,413,261
At 30 June 2022	10,604,271	11,149,289	3,913,345	2,180,483	59,723	736,237	782,249	126,556	192,198	29,744,351

The fair value of land and buildings is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties.

The fair value of runways and wharves is determined using depreciated replacement cost.

The most recent valuation of land, buildings, runways and wharves were performed by Brad Sworn, ANZIV of the firm Telfer Young (Northland) Limited, and the valuation is effective at 30 June 2022.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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11. PROPERTY, PLANT AND EQUIPMENT (continued)

Security

At 30 June 2022, certain land and buildings, with a carrying amount of \$102,919,000 (2021: \$66,602,000) are subject to a first mortgage to secure bank loans. There is also a General Security Agreement over all property, plant and equipment.

12. INVESTMENT PROPERTY

	2022	2021
	\$	\$
Balance at 1 July	100,409,919	85,474,561
Acquisitions	13,467,368	6,455,151
Disposals	(385,000)	(410,544)
Transfer to properties intended for sale		(1,558,678)
Reclassification from property plant & equipment		3,740,000
Fair value gain on acquisition	-	-
Change in fair value	15,285,017	6,709,429
Balance at 30 June	<u>128,777,304</u>	<u>100,409,919</u>

Investment property comprises a number of commercial properties that are leased to third parties. The leases all have variable terms. Subsequent renewals are negotiated with the lessee.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The most recent valuation was performed by Brad Sworn, ANZIV of the firm Telfer Young (Northland) Limited, and the valuation is effective at 30 June 2022. The prior valuation was completed 30 June 2021. Valuations are completed every year for all investment properties.

FAR NORTH HOLDINGS LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2022

13. INTANGIBLE ASSETS

Cost	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2021	301,287	179,959	481,246
Additions	-	-	-
Balance at 30 June 2022	301,287	179,959	481,246
Accumulated amortisation and impairment	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2021	201,287	179,959	381,246
Balance at 30 June 2022	201,287	179,959	381,246
Net book value			
At 30 June 2021	100,000	-	100,000
At 30 June 2022	100,000	-	100,000

14. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

The following entities have been included in these consolidated financial statements:

	Country of incorporation and place of business	Proportion of ownership interest held as at 30 June	
		2022	2021
Associate			
Kaikohe Berryfruit Limited Partnership	New Zealand	24%	19%
Joint venture			
Far North Skincare Limited	New Zealand	50%	50%
Subsidiaries			
Far North Housing Limited	New Zealand	100%	
Bay of Islands Marina Limited	New Zealand	100%	

The Directors of the Company consider it has the power to exercise significant influence over the Associate Kaikohe Berryfruit Limited Partnership even though it only owns 24% of the shares. This is because of the position it holds on the Board of Directors.

The joint venture Far North Skincare Limited is not trading and is in the process of being wound up.

15. OTHER INVESTMENTS/LOANS

	2022	2021
	\$	\$
Loan Manea (non current asset)	665,000	-
Shares Fonterra (current asset)	442,534	573,768
Shares Fonterra		
Opening value	573,768	570,716
Change in fair value	(131,234)	3,052
Closing value	442,534	573,768

The fair value of quoted securities is based on published market prices.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

16. INVENTORIES	2022	2021
	\$	\$
Honey	1,464,230	1,625,774
Fuel	111,860	51,321
Chandlery and boatyard	20,938	13,558
Total inventories	<u>1,597,028</u>	<u>1,690,653</u>

Some chandlery and boatyard inventories are subject to retention of title clauses.

17. BIOLOGICAL ASSETS	2022	2021
	\$	\$
Balance at beginning of year	1,184,150	1,603,560
Purchases	-	-
Increase/(decrease) in fair value of queens and hives	(873,900)	(419,410)
Balance at 30 June	<u>310,250</u>	<u>1,184,150</u>

Biological assets have been valued at fair value by reference to the Ministry of Primary Industries published prices.

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS	2022	2021
	\$	\$
Far North District Council	291,105	276,076
Trade and other receivables	2,490,368	3,325,780
Tax receivable	238	145,025
Prepayments	194,383	90,848
Total trade and other receivables and prepayments	<u>2,976,094</u>	<u>3,837,729</u>

Impairment losses are recognised in other expenses in profit or loss - see note 7. Trade receivables generally have terms of 30 days and are interest free. Trade receivables of a short-term duration are not discounted.

Reconciliation of the allowance for impairment in respect of trade and other receivables:

	2022	2021
	\$	\$
Balance at 1 July	143,515	44,500
Receivables written off during the year	12,675	(85,997)
Additional provisions made during the year	(92,135)	185,012
Balance at 30 June	<u>64,055</u>	<u>143,515</u>

The allowance accounts in respect of loans and receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

19. CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank and in hand	294,581	87,282
Bank overdrafts	-	-
Total cash and cash equivalents and bank overdrafts for the purpose of the statement of cash flows	<u>294,581</u>	<u>87,282</u>

Bank overdraft facilities are provided by the Bank and secured by the first charge debenture. The interest rate on the bank overdraft was 5.6% (2021: 4.07%). The maximum overdraft facility available to the Group was \$2,000,000 (2021: \$2,000,000).

Interest rates applying to bank balances was 0.0% (2021: 0.0%). Bank balances are on call.

20. EQUITY

	2022	2021
	\$	\$
Ordinary shares - fully paid	7,000,000	7,000,000
Redeemable shares - fully paid	11,000,000	11,000,000
Total share capital	<u>18,000,000</u>	<u>18,000,000</u>

The holders of the convertible non-participating redeemable shares have no rights to participate in the profits or assets of the Group, other than by the discretion of the Directors, to vote at any General Meeting of the Group or to subscribe for or be offered or allotted any present or future issues of shares in the capital of the Group. Since 30 May 2004, FNHL is entitled to redeem half of the convertible non-participating redeemable shares at the available subscribed capital per share.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group, and rank equally with regard to the Group's residual assets.

21. RESERVES

	2022	2021
	\$	\$
Balances		
Asset revaluation reserve	12,453,506	9,576,368
Equity investment reserve	(287,306)	(156,072)
Maintenance reserve - Opuia Marina	(6,661)	448,365
Maintenance reserve - Opuia Wharf	85,895	73,126
MAF Building reserve	20,700	18,400
Capital reserve	71,804	71,804
Total reserves	<u>12,337,938</u>	<u>10,031,991</u>
Movements		
Asset Revaluation Reserve		
Opening balance	9,576,368	7,546,587
Revaluation - fixed and intangible assets	3,151,095	2,532,996
Transfer on disposal/reclassification	-	-
Less deferred tax	(273,957)	(503,215)
Closing balance	<u>12,453,506</u>	<u>9,576,368</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

21. RESERVES (Continued)	2022	2021
	\$	\$
Equity Investment Reserve		
Opening balance	(156,072)	(159,124)
Devaluation Fonterra shares	(131,234)	3,052
Closing balance	(287,306)	(156,072)
Maintenance Reserve Opuu Marina		
Opening balance	448,365	228,721
Transferred from/(to) retained earnings	(455,026)	219,644
Closing balance	(6,661)	448,365
Maintenance Reserve Opuu Wharf		
Opening balance	73,126	62,956
Transferred from/(to) retained earnings	12,769	10,170
Closing balance	85,895	73,126
MAF Building Reserve		
Opening balance	18,400	16,100
Transferred from retained earnings	2,300	2,300
Closing balance	20,700	18,400
Capital Reserve		
Opening balance	71,804	71,804
Closing balance	71,804	71,804

22. INTEREST-BEARING LOANS AND BORROWINGS	2022	2021
	\$	\$
Secured Bank Loans		
Current	11,500,000	1,671,240
Non-current	38,659,962	37,124,992
Total interest-bearing loans & borrowings	50,159,962	38,796,232

The terms and conditions of outstanding loans are as follows:

In New Zealand Dollars	Nominal Interest rate	Year of Maturity	2022		2021	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	4.00%	2022-2023	2,500,000	2,500,000	1,671,240	1,671,240
Secured bank loan	4.71%	2022-2023	4,000,000	4,000,000	34,225,000	34,225,000
Secured bank loan	5.48%	2022-2023	3,000,000	3,000,000	2,899,992	2,899,992
Secured bank loan	5.59%	2022-2023	2,000,000	2,000,000		
Secured bank loan	4.96%	2024-2025	34,225,000	34,225,000		
Secured bank loan	5.14%	2024-2025	2,844,692	2,844,692		
Secured bank loan	5.60%	2028-2029	1,590,270	1,590,270		
Total interest-bearing liabilities			50,159,962	50,159,962	38,796,232	38,796,232

The bank loans are secured over certain land and buildings with a carrying amount of \$102,919,000 (2021: \$66,602,000), and a general security agreement over all company assets. Subsequent to Reporting Date \$4,000,000 of current loans have been repaid. The remaining loans maturing 2022-2023 have been rolled over and have a new maturity date of 2025. Interest rates on the loans at 30 June 2022 varied from 4.00% to 5.60% (2021 2.71% to 3.92%).

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

23. EMPLOYEE BENEFITS

	2022	2021
	\$	\$
Salaries payable	51,711	36,014
Liability for annual leave - current	308,630	210,463
Total employee benefits	360,341	246,477

24. TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Far North District Council	2,093,657	486,820
Trade and other payables	4,738,927	5,317,574
Total trade and other payables	6,832,584	5,804,394

Trade payables generally have terms of 30 days and are interest free. Trade payable of a short-term duration are not discounted.

25. INCOME IN ADVANCE

	2022	2021
	\$	\$
Non current portion		
Income received in advance - long term	12,239,161	10,227,914
Total non current portion	12,239,161	10,227,914
Current portion		
Income received in advance - current	306,045	434,013
Marina Stage 2 berth sales	362,686	261,823
Total current portion	668,731	695,836
Total Income in advance	12,907,892	10,923,750

Income in advance relates to marina berth licences income which has been spread over the period of the licences.

26. PROPERTIES INTENDED FOR SALE

FNHL has two properties with a registered value of \$2,270,000 (2021: \$1,558,678) intended for sale. Properties intended for sale are recorded at the market value in the Statement of Financial Position at the point in time these properties were classified as properties intended for sale, and as such are not revalued thereafter. A lifestyle block located between Opuia and Paihia is being actively marketed. The other property has a sale and purchase agreement in place, subject to subdivision, being a small part of the Ngawha Innovation and Enterprise Park for the Matawii Reservoir.

27. RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its key management personnel being the directors and executive officers.

The Group also has a related party relationship with its parent Far North District Council.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

27. RELATED PARTIES (Continued)

Key management personnel

Total key management personnel being the Chief Executive and General Management compensation for the year ended 30 June 2022 was \$788,000 (2021: \$681,820). Directors fees for the year were \$212,268 (2021: \$129,631).

Transactions with related parties

Transactions with related parties are to be settled in cash. None of these balances are secured. There have been no impairments of related party balances during the year (2021: nil) and there have been no write-offs of related party balances during the year (2021: nil).

Mr R Blackman was a director of Bay of Islands Marina Limited and rented a berth in the marina and used the boatyard facility to the value of \$344 (2021: \$7,251).

Mr K Drinkwater is a director of Far North Holdings Limited, he is a berth holder at Bay of Islands Marina and used the marina and boatyard facilities to the value of \$7,019 (\$4,967 annual fees & \$2,052 marina and boatyard services).

Ms S Petersen is a director of Far North Holdings Limited, Far North Housing Limited and Bay of Islands Marina Limited. SODA Group Limited, a company in which Ms Petersen is a director and 50% shareholder, was paid \$55,000 for provision of short-term CFO services provided by Ms Petersen under a contract for services. These services were made on normal commercial terms and at market rates.

Mr W Birnie CNZM is a director of Far North Holdings Limited and Bay of Islands Marina Limited. During the year, Far North Housing Limited provided services to Go Bloodstock New Zealand Limited, a company in which Mr Birnie CNZM is a Director, under a Property Management and Development Agreement and invoiced Go Bloodstock Limited \$165,000. These charges were negotiated on an arms length basis and represent the value as if undertaken by independent third parties.

Inter-group transactions and balances	2022	2021
	\$	\$
Receivables from Far North District Council (excluding agency transactions)	34,699	192,645
Sales to Far North District Council	332,203	319,924
Purchases from Far North District Council	636,671	430,262
Payables to Far North District Council	12,469	3,414

During the year FNHL also carried out capital works on behalf of Far North District Council to the value of \$6,162,313 (2021: \$2,101,267).

28. OPERATING LEASES

	2022	2021
Non-cancellable operating leases as lessor	\$	\$
Not later than one year old	2,138,871	2,041,077
Later than one and not later than five	5,309,499	4,993,657
Later than five years	6,267,498	7,897,669
Total Non-cancellable operating leases	13,715,868	14,932,403

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

29. COMMITMENTS

During the year FNHL entered into new contracts for Avis and Merlin Lab buildings at the Bay of Islands Airport, Regent Training, Te Pūkenga and Innovation Hub buildings at Ngāwhā Innovation & Enterprise Park, totalling \$14,714,839 (2021: \$18.399m). At 30 June 2022 \$9,059,803 (2021: \$10.445m) remained to be paid on contracts.

30. EVENTS OCCURRING AFTER THE REPORTING DATE

FNHL has entered into \$5.1 million of contracts for developments on the Ngāwhā Innovation and Enterprise Park and \$7.5 million contracts for development of community housing. Subsequent to Reporting Date FNHL sold a property to a Limited Partnership of which Far North Housing Limited own 50% with the other 50% owned by an unrelated party.

31. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities that require disclosure in these financial statements.

32. GOVERNMENT GRANTS RECEIVED

FNHL received \$9.280 million in 2022 (2021: \$15.359 million) in grants from Far North District Council and the Ministry of Business, Innovation and Employment. This amount has been deducted from the carrying amount of the assets.

Government grants received in 2022 were for the following projects:

	2022	2021
	\$	\$
Far North wharves	2,366,000	1,500,000
Hokianga maritime upgrades	19,000	1,796,000
Mangonui waterfront	1,575,000	175,000
Ngawha Innovation & Enterprise Park	5,320,000	10,630,000
Paihia waterfront	-	800,000
Paihia wharf	-	10,900
Te Hononga, Kawakawa	-	446,800
Total government grants received	9,280,000	15,358,700

FAR NORTH HOLDINGS LIMITED

STATEMENT OF SERVICE PERFORMANCE

For the Year Ended 30 June 2022

Far North Holdings Limited (the "Company") was originally established by the Far North District Council ("Council") as a Local Authority Trading Enterprise (LATE) pursuant to Part XXXIVA of the Local Government Act 1974 (the "Act"). The Company is now a Council Controlled Trading Organisation (CCTO) under the Local Government Act 2002.

The Council's Long-Term Plan for 2018-28 provides general guidance on the strategic direction of the Company in the following areas as per the following extracts:

Far North Holdings Limited (FNHL) is a Council Controlled Trading Organisation (CCTO) that manages assets and commercial trading on behalf of Council. Council maintains a shareholding in FNHL, which manages a diverse range of district assets to boost investment and employment for the benefit of our communities. Council's return on its investment in FNHL is by way of annual dividends.

Key activities

- The provision of maritime, airport, property and car parking facilities;
- The management of maritime and aviation assets under contract to Council; and
- Investment in any commercial opportunity that arises including any proposed by its shareholder.

Objectives

As the Far North District Council's commercial vehicle, FNHL will facilitate and create commercial and infrastructural assets in the Far North District, or if outside the Far North District, with the Shareholders approval, with the aim of creating profits for its Shareholder and creating shareholder value.

3 Year work plan to deliver on Strategic Objectives

The table below shows the key capital projects and initiatives we plan to undertake in the 2021-2024 SOI period to deliver on our strategic objectives. (Updated with status as at 30 June 2022).

Key Project / Initiative	Description and Contribution to Strategic Objectives	Project status as at 30 June 2022
Ngawha Innovation and Enterprise Park	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	Stage 1 under development as planned. Buildings under construction include Te Pūkenga, Regent Training and Innovation Hub with completion planned December 2022/January 2023, and Kaikohe Berryfruit development completed. Department of Corrections building in progress.
Community Housing Development	To create community housing developments supporting Northland.	Commercially viable and sustainable developments are underway, with the first development at Kamo Road, Whangarei completed and occupied from mid-May 2022. Kaikohe developments are progressing, with discussions in the advanced stages for developments in Kaitaia and Dargaville.

Key Project / Initiative	Description and Contribution to Strategic Objectives	Project status as at 30 th June 2022
Rangitane Maritime Facilities	On behalf of FNDC, develop new maritime facilities at Rangitane.	This project remains on hold as there is ongoing FNDC review as to finalisation.
Kaitia Town Planning	Work with Council and Community Board on a Master Planning exercise for Kaitia, which hopes to revitalise parts of the town.	Ongoing.
Pahia Waterfront Development	To build breakwaters that will protect waterfront infrastructure.	Plans finalised and work tendered prior to project being put on hold due to forecast budget implications.

In addition to the above new capital projects, FNHL will continue to review, maintain and re-invest in existing assets and operations to ensure maximum benefit to the Company, plus review on an ongoing basis other capital investment opportunity as they arise.

Performance measures as per SOI for period 2021-2022

Financial performance results

Performance Objective

Engage in successful commercial transactions

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
Growth in shareholders' value	Shareholders' funds increase by \$955k, after payment of dividend	Achieved \$17.3 million	Achieved \$10.9 million	Achieved \$1.1 million	Achieved \$9.5 million
Narrative Significant uplift achieved, including revaluations of assets that received Kānoa Regional Economic Development and Investment Unit for capital improvements.					

Performance Objective

Provide a commercial return to FNDC

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
Dividend return to FNDC	Pay minimum \$955k	Not achieved \$124,593	Achieved \$483,063	Not achieved \$422,795	Achieved \$1,097,000
Narrative As the dividend is below target, the Board is considering the ability to declare a special dividend. This may impact FNHL work proposed in the current financial year and would be subject to maintaining working capital and banking covenants. Directors are aware of financial expectations from Council given current economic conditions and are working to maximise returns while maintaining business delivery and future growth.					

Performance Objective

Effective financial management

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
FNHL is to make profitable annual returns	\$1.9 million	Not Achieved \$249,186	Achieved \$1,146,519	Achieved \$1,131,167	Achieved \$2,070,239
Narrative Due to COVID impacts, inflationary pressure, and rising interest rates, FNHL did not meet the target. However, domestic tourism was somewhat more resilient which partially offset the declines due to COVID.					

Performance Objective

Ratio of consolidated shareholder funds to total assets

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
The ratio is to exceed 50%	50%	Achieved	Achieved	Achieved	Achieved
Narrative Shareholder funds are defined as total equity.					

Performance Objective

To achieve a return on funds invested

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
Return on investment is higher than the average cost of borrowing on its commercial assets	ROI 7% Average cost of borrowings 4.5%	Not Achieved ROI 2.8% ACoB 4.89%	Achieved ROI 8.9% ACoB 2.81%	Achieved ROI 9.7% ACoB 3.54%	Achieved ROI 12% ACoB 4.38%
Narrative Current ROI reflects the reduced net profit for the year. As current projects are completed during 2022-23, rental incomes will commence with returns improving.					

Performance Objective

Effective governance and financial control

Measure	Target 2021/22	Actual 2021/22	2020/21	2019/20	2018/19
Clean audit sign-off each year from Auditor	To achieve	Achieved	Achieved	Achieved	Achieved
Annual Board review with appointed auditor representative	To be held	Achieved	Achieved	Not undertaken	Not undertaken
To remain within banking covenants	To achieve	Achieved	Achieved	Achieved	Achieved
Board Audit and Finance committee meetings to be conducted semi-annually	To be held	Achieved	23-Sept-20 22-Jan-21 18-May-21	30-Mar-20	25-Feb-19

FAR NORTH HOLDINGS LIMITED
SHAREHOLDERS INFORMATION
For the Year Ended 30 June 2022

1. Interest Registers

The following entries were recorded in the Directors' Interest Registers of the Company during the year:

Share Dealings

No Director acquired or disposed of any interest in shares in the Company during the year.

Loans to Directors

There were no loans to Directors authorised during the year.

Directors' interests

Directors' interests have been updated regularly and recorded to manage perceived and potential conflicts.

2. Directors'

Directors of the Company and wholly owned subsidiaries during the year were as follows:

Far North Holdings Limited

W Birnie	Full Year Term
K Baxter	Term ended May 2022
M McCully	Full Year Term
S Petersen	Full Year Term
K Drinkwater	Term Began June 2022
N Anderson	Term Began June 2022

Far North Housing Limited

M McCully	Term Began March 2022
S Petersen	Term Began March 2022

Bay of Islands Marina Limited

W Birnie	Term Began March 2022
S Petersen	Term Began March 2022
R Blackman	Term Began March 2022
P Wardale	Term Began June 2022

3. Employees' remuneration

Number of staff with salaries and benefits in excess of \$100,000:

	2022	2021
\$100,000 – \$149,999	3	5
\$150,000 – \$199,999	2	1
\$200,000 – \$249,999		
\$250,000 – \$299,999		
\$300,000 – \$349,999		
\$350,000 – \$399,999	1	1

4. Indemnification and Insurance of Executive Employees' and Directors'

All Directors and Executive Officers of the Company have been insured against liabilities to other parties that may arise from their office.

FAR NORTH HOLDINGS LIMITED
SHAREHOLDERS INFORMATION
For the Year Ended 30 June 2022

5. Auditor

Deloitte New Zealand on behalf of the Auditor-General has been appointed as the Company's auditors.

6. Donations

The Company made donations in kind to the Bay of Islands Coastguard of \$6,154 (2021 \$6,154). This was by way of charging them lower than market rent.

The Company made other cash donations to:

The Company made other cash donations to:	2022 Amount excl GST	2021 Amount excl GST
Autism New Zealand	\$55.00	\$50.00
Caring Families Aotearoa	\$180.00	\$150.00
FNDC - Contribution to America's Cup Fanzone	\$0.00	\$180.00
Going Bananas Kids Show	\$43.48	\$0.00
Heart Kids	\$60.00	\$60.00
Honey Pai Ltd – beekeeping scholarship	\$1,014.70	\$0.00
Ngāti Rangī	\$400.00	\$0.00
NZ Marine Export Group Inc. Millennium Cup	\$0.00	\$3,500.00
Paihia Volunteer Fire brigade	\$0.00	\$200.00
Police Managers Guild Trust	\$260.87	\$260.87
R Tucker Thompson Sailing Trust (2 years due to Covid)	\$42,000.00	\$21,000.00
Russell Radio	\$300.00	\$376.00
Te Rūnanga o Taumarere ki Rākaumangamanga	\$40,995.92	\$40,995.92
Te Tiriti o Waitangi Marae	\$750.00	\$0.00
The Company made "in kind" donations to	2022 Amount excl GST	2021 Amount excl GST
Love Opuā	\$0.00	\$1,128.00
Opuā Business Assn – Bula fundraiser	\$474.11	\$0.00
Opuā Cruising Club & Annual Membership Prize	\$521.82	\$368.90
Russell Fire Brigade	\$0.00	\$1,049.65