

FAR NORTH HOLDINGS LIMITED
STATEMENT OF SERVICE PERFORMANCE
For the Year Ended 30 June 2011

This section of the annual report provides the information required under Schedule 10 (16) of the Local Government Act 2002 i.e. for each council controlled organisation in which the local authority is a shareholder:

- A report on the extent to which the local authority's significant policies in regard to ownership and control of the organisation (as set out in the Council's long-term council community plan) have been implemented or attained in the year;
- A comparison between the nature and scope of the activities intended to be provided by the organisation (as set out in the Council's long-term council community plan) and those actually provided in the year;
- A comparison between actual performance and key performance measures and targets set out in the Council's long-term council community plan.

Far North Holdings Limited (the "Company") was originally established by the Far North District Council (the "Council") as a holding company as a Local Authority Trading Enterprise (LATE) pursuant to Part XXXIVA of the Local Government Act 1974 (the 'Act') to own the shares in subsidiary trading companies constituting part of the Company's group. The Company is now a Council-Controlled Trading Organisation under the Local Government Act 2002.

The Council's Annual Plan for 2010/11 provides general guidance on the Strategic direction of the Company in the following areas

- 1 Development of major infrastructural projects
- 2 To explore , with Council, the infrastructure demands for the airports at both Kerikeri and Kaitaia
- 3 To continue to pursue redevelopment options for under-utilised commercial maritime Facilities
- 4 The sale of non strategic assets,
- 5 To identify areas of new high priority infrastructure, and funding alternatives, including possible joint ventures, and or a full divestment of some or all of its existing assets.

These directions were incorporated into the Companies Statement of Intent (SOI), as scheduled below

SOI Objectives

1. To invest in, develop, operate and divest "commercial/strategic businesses".
2. To deliver value to the Shareholder.
3. To operate within the constraints of its existing capital.
4. To provide the shareholder with an adequate return on its existing Shareholders Funds.
5. To operate in accordance with sound business practises.
6. To be a good employer.
7. To operate with a sense of social and environmental responsibility.



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Performance Measures

Financial Performance Measures

Performance Measure	Target	Achievement
That the annual operating profit will exceed \$800,000	> \$1,000,000	\$ 1,043,253 This Profit is the total of the "Profit prior to change in fair value of investment properties" of \$580,372, and the "Profit after tax on discontinued operations" of \$462,881 Reference Note 15 page 31 (it excludes revaluation, goodwill, impairment, deferred tax and share of associate).
Distribution to Shareholders	50% of operating profits	Dividend of \$521,627 has been declared Reference Note 15 page 31.
Shareholder Equity	> \$42.0 million	\$31,721,773 after payment of special dividend of \$5,201,231, and operating Dividend as above
Return on Investment is higher than cost of borrowing.	Average cost of borrowing Rol on Shareholder equity (calculated as defined within the Statement of Intent)	6.59% 7.98%



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1. Interest Registers

The following entries were recorded in the directors' interest registers of the company and its subsidiaries during the year:

Share Dealings

No director acquired or disposed of any interest in shares in any company in the group during the year.

Loans to directors

There were no loans to directors authorised during the year.

Directors interests

A Norman was a director of Paihia Maritime Properties Limited an associate company of Far North Holdings Limited. Paihia Maritime Properties Limited was sold as at 31st March 2011 and A Norman ceased being a Director of Paihia Maritime Properties Limited at that date as well.

2. Director's Remuneration

Directors of the company and its subsidiaries during the year and remuneration and other benefits paid to directors by the company and its subsidiaries were as follows:

	2011	2010
Far North Holdings Limited		
A Norman	\$24,230	\$30,000
K Rintoul	\$12,115	\$15,000
S Lloyd	\$12,115	\$15,000
R Blackman	\$6,413	0
W Birnie	\$3,206	0
I Walker	\$3,206	0
S McNally	\$3,206	0

Also see Note 28.

3. EMPLOYEES' REMUNERATION

Number of staff with salaries and benefits in excess of \$100,000:	2011	2010
120,000-130,000	1	1
150,000-160,000	1	1

4. INDEMNIFICATION AND INSURANCE OF EXECUTIVE EMPLOYEES AND DIRECTORS

All directors and executive officers of the companies in the group have been insured against liabilities to other parties that may arise from their office.

5. AUDITOR

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

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6. DONATIONS

Long Term Commitments

The Company made donations to Te Runanga o Taumarere ki Rakaumangamanga of \$27,562 (2010 \$22,752) during the year including a prepaid portion of \$16,078 (2009 \$13,272).

In accordance with the Opuā Marina resource consent \$6,670 (2010 \$6,574) was paid to the Opuā Liaison Committee on behalf of the Opuā Environmental and Cultural Fund

The company made donations in kind to the Bay of Islands Coastguard of \$6,830 (2010 \$6,830). This was by way of charging them lower than market rent.

The Company made Cash donations to

Name	Amount incl GST
R Tucker Thompson Sail Training Trust (same as last yr)	\$10,000.00
Business Paihia (Annual New Year Fireworks Display)	\$ 690.00
Bay of Islands "it" Festival	\$ 250.00
Paihia Fire Service (Golf Tournament) (same as last yr)	\$ 100.00
Fullers Great Sights Charity Golf Tournament	\$ 100.00
Kidscan Christmas Crackers	\$ 100.00
Russell Radio (same as last yr)	\$ 67.50
The Company made "In Kind" donations to	
Opuā Cruising Club, Ashbys Boatyard Summer Series (Boat lift Vouchers/T Shirts)	\$ 2,685.00
Opuā Cruising Club, Membership Draw (Boat lift voucher)	\$ 430.00
BOI Vintage Railway Trust (Boat Lift Voucher)	\$ 430.00
Future Donation Commitments	
Rugby World Cup Sevens Tournament – surplus funds to BOIVRT & Northland Rugby Referees. (this was approved at the 1 March 11 Board meeting)	\$ 5,000.00

7. Other Performance Measures

Objective	Achievement
To invest in, develop, operate and divest "strategic businesses".	<p>443 vessels (Overseas yachts) utilised the free port of entry services in Opuā.</p> <p>During the period under review, 34 cruise liners have visited the Bay of Islands with a total passenger capacity of 43,000 and approximately an additional 20,000 crew members.</p> <p>Acts as the Airport Authority for the airports under its control,</p> <p>Carried out Capital Expenditure investment of \$1,901,682, in the Year with major projects being the completion of the Opuā Marina Retail Building, the purchase of the Fire Station property in Williams Road, a new Catamaran Haulout Trailer for Ashby's Yard, the purchase of 7 swing Moorings in the Opuā Marina Basin area, Car parking Pay and Display machines for Opuā and Paihia car parks, upgrade the Opuā Powder store for new Tenants,</p> <p>On behalf of the Council, the Kaitaia airport Taxiway</p>

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	<p>upgrade was completed and work had commenced on resealing the touch down area of the runway, and the aluminium joinery replaced in the Terminal.</p> <p>In October 2010, Resource Consent was received for the Paihia Waterfront Development from the Minister.</p> <p>During the Year the company continued with the disposition of non strategic assets with the sale of its interest in Paihia Maritime Properties Ltd, and the sale of a portion of the Cobham Road property.</p>
<p>To deliver value to the Shareholder. - by means of Dividends</p> <p>- Adequate return on Shareholder's</p>	<p>During the Year the company paid to its Shareholders the sum of \$793,177.00 in Dividends and has provided for a further dividend of \$525,821 from this years profits, thus in the 14 months to November 2011, the Company will have paid a total of \$1,529,718 to Council in cash, for Dividends. In addition to the cash dividend, FNHL has made a Special Dividend of \$5,201,231, by means of an asset transfer back to the Shareholder.</p> <p>Return on Shareholder's funds, Refer to Statement of Service Performance, Financial Performance Measures, Page 35.</p> <p>The Company continues to manage the Kaitia Airport on behalf of the Council.</p>
<p>To operate within the constraints of its existing capital.</p>	<p>Equity Ratio to be greater than 50% Result 66.6%.</p> <p>Interest Cover Ratio to be greater than 1.5 times earning before interest, tax and revaluations. Result 2.57.</p>
<p>To operate in accordance with sound business practices.</p>	<p>During the period under review FNHL experienced only minor staff related OSH incidences.</p> <p>Accidents and incidents involving the general public not under FNHL control while on FNHL land or facilities: Maritime - 1 Aviation - 2 Boatyard - 1</p> <p>An unqualified financial audit was achieved.</p>
<p>To be a good employer.</p>	<p>Staff policy manuals have been the subject of ongoing updating to accommodate legislative changes over the period under review. No instances of discrimination or harassment have been identified during this review period.</p> <p>60% of staff undertook training and professional development.</p>
<p>To operate with a sense of social and environmental responsibility</p>	<p>The company held 105 meetings with the community or promoting community related issues throughout the year to determine the community's views on Company activities.</p>

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Supported youth academic training through donations to the Opuā Marina Scholarship Fund.

Supported youth leadership training through the R Tucker Thompson Sail Training Trust.

Supported cultural and environmental projects through donations to the Opuā Environmental and Cultural Fund.

Extensive monitoring of water quality in Opuā is ongoing, with good results being achieved particularly in the control of heavy metal concentrations. One abatement notice was received for discharges at the Mangonui grid. This was later withdrawn.