



# Far North Holdings Limited

## ANNUAL REPORT

2019/2020



# FAR NORTH HOLDINGS LIMITED

## ANNUAL REPORT 2020

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**FAR NORTH HOLDINGS LIMITED  
COMPANY DIRECTORY  
AS AT 30 JUNE 2020**

Nature of Business	Property and infrastructural investment, management, development, operations and services
Registered Office	Unit 9b Baffin Street Opuā
Directors	William Birnie CNZM LLB (Chair) Ross Blackman Kevin Baxter BCom (Ag) Hon Murray McCully CNZM CF LLB Sarah Petersen BMS, Hons, CA
Independent Auditor	Audit New Zealand on behalf of the Auditor General
Bankers	Bank of New Zealand
Business Locations	Opuā
Shareholders	Far North District Council
Share Capital	\$18,000,000



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## **CHAIRMANS REPORT**

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 2022 the Directors hereby report on the activities of the company for the 12 months from 1 July 2019 to the 30 June 2020. Following are FNHL's Statement of Profit or Loss, Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statement of Cash flows for the year ended 30 June 2020.

This financial year has been extraordinary due to the challenges presented by the arrival of Covid-19. The full scale of the effects of Covid-19 on our economy and our community has yet to be determined, although fortunately New Zealand has found itself comparatively better off than many other nations. The restrictions implemented throughout New Zealand have certainly impacted FNHL, nevertheless our resilience, diversity, solid performance, and strong financial management have lessened the impact on the company.

FNHL and the Board is pleased to advise a trading profit of \$2.57m, being a 12% increase in profit from the previous year of \$2.30m. The operating profit was slightly below budgeted forecast of \$2.6m. This was despite the impact Covid-19 had on cruise ships, airport revenue and rent relief provided to commercial tenants during lockdown. Total comprehensive income was \$5.66m (2019 \$4.39m). Total comprehensive income includes the revaluation of assets and investments with an increase of \$3.44m (2019 \$2.35m).

Shareholder's equity in the year increased to \$62.41m from \$57.85m in 2019. This was assisted by the acquisition of Russell Wharf, PGF funding and capital expenditure on Opua, Paihia and Waitangi Wharves, Manea and Ngawha Innovation and Enterprise Park development. The 2019 dividend paid to Council in early 2020 was \$1.097m (2018 \$843,810) and the return on investment of shareholder funds at the beginning of the year is 9.7%.

FNHL's interest cover ratio is 2.59, with a bank permissible ratio of 1.5. The equity/asset ratio is also favourable at 52.77% with a bank permissible ratio of 50%. FNHL's overdraft and borrowings have only increased by \$1.4m whilst FNHL's assets increased by \$5.8m to \$118m. The growth in asset value is due to the completion of several projects and FNHL's acquisition of various properties.

During the financial year FNHL purchased two properties in Kaikohe, one in Omapere, one in Kawakawa and also acquired Russell Wharf. These properties widen our investment portfolio and are integral in current and future developments benefiting the Far North. FNHL has sold residential land and three apartments in Opua.

The Bay of Islands Marina won another award, being named the best marina in New Zealand, beating 50 other marinas and boatyards around the country. Judges described the facility as "the pinnacle of the nation's marina industry". They were impressed with the marina's vision, forward thinking, design initiatives and focus on local and regional development.

FNHL was privileged to provide project management services during the year to FNDC on several projects and looks forward to continuing this in future. FNHL also provide project management services to Te Waiariki Ngawha Springs near Kaikohe, due to be completed early next year.

The Opua Wharf's new 111 metre concrete pontoon was completed in October 2019. This was constructed for key maritime events such as Tuia 250, the Millennium Cup Superyacht J Class series and Americas Cup event. It is also used for berthing larger vessels and superyachts unable to enter

the Marina. We anticipate Opua residents and marine service businesses will derive significant enjoyment and benefit from this additional facility.

The \$1.48m Russell Wharf PGF project was completed in September 2019. The work has improved the safety and operation of existing berths by replacing the low tidal landing timber steps and jetty with floating pontoons. FNHL is now working alongside the Kororareka-Russell Community Wharf Kaitiaki Trust to strategically plan for future improvements to the wharf.

Paihia Wharf was also completed this year. This project received \$3.76m of Provincial Growth Funding and FNHL spent an additional \$1.6m to; widen the jetty walkways, replace the old existing pontoons with new floating concrete pontoons and added a further two new pontoons, a new dinghy dock and improve the services for fuel, water and sewerage pump out. This project has provided the public and commercial users with greater water space, more berths and better access.

The Te Hononga development, a work in progress throughout this financial year, is a collaborative project working alongside Kawakawa Hundertwasser Park Charitable Trust, Ngati Hine and FNDC to provide an interpretive gallery, library, ātea, workshop, public toilets, showers, and freedom camping facilities. This has been an exciting and successful community led project opened by the Prime Minister Jacinda Ardern on 9<sup>th</sup> October 2020.

Manea Footprints of Kupe development has been progressing well and is scheduled for opening in early December 2020. This project is a partnership with NZ Māori Tourism and Te Hua o te Kawariki Trust, telling the story of Kupe in the Hokianga.

Ngawha Innovation and Enterprise Park is an important economic regeneration initiative designed to create social and economic opportunities for communities and businesses across the Mid-North. This project has the potential to have a significant impact on the primary sector economy by generating value added processing/manufacturing to the wealth of raw materials that are currently exported in their raw state. Job creation will be welcome in these post Covid-19 times when tourism has been impacted so significantly.

Going forward, the team at FNHL will be intensely focused on Ngawha Innovation and Enterprise Park, as well as the recently announced \$8.2m PGF funded Paihia Waterfront Development that FNHL will project manage. This is a long-awaited breakwater project that will protect Paihia's essential waterfront infrastructure.

On behalf of the Board, I would like to thank Far North District Council for its ongoing support and encouragement and look forward to working closely with the Council to achieve our strategic objectives. The Council's backing has enabled FNHL to grow and improve commercial facilities and infrastructure for the benefits of our community in the Far North. While the Covid-19 pandemic persists, FNHL continues to manage finances prudently and create profits and shareholder value for Far North District Council.

  
Bill Birnie CNZM  
**CHAIRMAN**

Dated: 24/11/20.

## **Independent Auditor's Report**

### **To the readers of Far North Holdings Limited's financial statements and performance information for the year ended 30 June 2020**

The Auditor-General is the auditor of Far North Holdings Limited (the Company). The Auditor-General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Company on his behalf.

#### **Opinion**

We have audited:

- the financial statements of the Company on pages 11 to 37, that comprise the statement of financial position as at 30 June 2020, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Company on pages 38 to 42.

In our opinion:

- the financial statements of the Company on pages 11 to 37:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 Company on pages 38 to 42 presents fairly, in all material respects, the Company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Company's objectives for the year ended 30 June 2020.

Our audit was completed on 30 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Company. 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.

## **Emphasis of matter – impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on Far North Holding Limited as set out on page 25 of the financial statements.

## **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 audit opinion.

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

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

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

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Company for assessing the Company'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 Company 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 Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 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 during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 4, 9, 10, 43 and 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 that fact. We have nothing to report in this regard.

## Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Company.

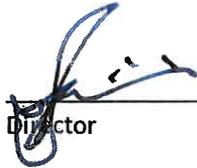
A handwritten signature in black ink, appearing to read 'D Walker / 2020', is positioned above the printed name and title.

David Walker  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

**FAR NORTH HOLDINGS LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2020**

The Board of Directors present their annual report including the financial statements of the Company for the year ended 30 June 2020 and the independent auditor's report thereon.

Approved for and on behalf of the Board of Directors.

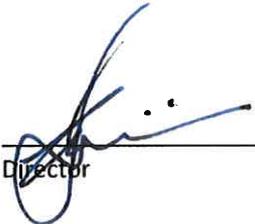
  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

30/11/20  
\_\_\_\_\_  
Date

**FAR NORTH HOLDINGS LIMITED  
STATEMENT OF COMPLIANCE  
FOR THE YEAR ENDED 30 JUNE 2020**

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**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Operating Revenue	4	14,455,510	14,308,520
Other Income	5	844,559	395,037
		<u>15,300,069</u>	<u>14,703,557</u>
Employee benefits expenses	6	3,210,374	2,560,066
Depreciation and Amortisation expenses	8	816,347	602,560
Other expenses	7	7,091,229	7,725,316
<b>Operating profit before net financing costs</b>		<u>4,182,119</u>	<u>3,815,615</u>
Finance income		8,998	3,949
Finance expenses		1,618,079	1,521,950
<b>Net finance costs</b>	9	<u>1,609,081</u>	<u>1,518,001</u>
<b>Profit prior to movements in Investment Properties and other non operating movements</b>		2,573,038	2,297,614
Impairment of Goodwill	13	(100,000)	-
Revaluation of biological assets	15a	(800,170)	178,147
Devaluation of Property, Plant and equipment	11	-	(76,048)
Fair value gain on acquisition	12	2,018,615	-
Revaluation of Investment Property	12	2,849,929	1,298,262
<b>Profit/(loss) before income tax</b>		6,541,412	3,697,975
Income tax expense	10	(452,422)	(227,375)
<b>Profit/(loss) for the period</b>		<u>6,088,990</u>	<u>3,470,600</u>
<b>Other comprehensive income items that will not be reclassified to profit or loss:</b>			
Revaluation of property, plant and equipment		(522,236)	1,102,226
Devaluation of equity investments	14	(10,382)	(148,742)
Tax on items that will not be reclassified to profit or loss	10	100,006	(34,273)
<b>Other comprehensive income for the year, net of tax</b>		<u>(432,612)</u>	<u>919,211</u>
<b>Total comprehensive income for the year</b>		<u><u>5,656,378</u></u>	<u><u>4,389,811</u></u>

**FAR NORTH HOLDINGS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Share Capital	Property Revaluation Reserve	Equity Investment Reserve	Building & Maintenance Reserves	Capital Reserve	Retained Earnings	Total Equity
	\$	\$		\$	\$	\$	\$
Balance at 30 June 2018	12,000,000	6,900,864	-	157,740	71,804	29,176,425	48,306,832
<b>Balance at 1 July 2018</b>	12,000,000	6,900,864	-	157,740	71,804	29,176,425	48,306,832
Profit for the year	-	-		-	-	3,470,600	3,470,600
Other comprehensive income for the year			(148,742)				(148,742)
Revaluation of property, plant and equipment	-	1,067,953		-	-	-	1,067,953
Total comprehensive income for the year	-	1,067,953	(148,742)	-	-	3,470,600	4,389,811
Transfers	-	-		14,427	-	(14,427)	-
Transactions with owners of the Company in their capacity as owners							
Additional share capital	6,000,000		-				6,000,000
Dividends paid	-	-	-	-	-	(843,810)	(843,810)
Total transactions with owners of the company	6,000,000	-	-	-	-	(843,810)	5,156,190
<b>Balance at 30 June 2019</b>	18,000,000	7,968,817	(148,742)	172,167	71,804	31,788,788	57,852,835
<b>Balance at 1 July 2019</b>	18,000,000	7,968,817	(148,742)	172,167	71,804	31,788,788	57,852,835
Profit for the year	-	-		-	-	6,088,990	6,088,990
Other comprehensive income for the year							-
Revaluation of property, plant and equipment	-	(422,230)	(10,382)	-	-	-	(432,612)
Total comprehensive income for the year	-	(422,230)	(10,382)	-	-	6,088,990	5,656,378
Transfers	-	-		135,610	-	(135,610)	-
Transactions with owners of the Company in their capacity as owners							
Additional share capital			-				-
Dividends paid	-	-	-	-	-	(1,097,000)	(1,097,000)
Total transactions with owners of the company	-	-	-	-	-	(1,097,000)	(1,097,000)
<b>Balance at 30 June 2020</b>	18,000,000	7,546,587	(159,124)	307,777	71,804	36,645,168	62,412,212

**FAR NORTH HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

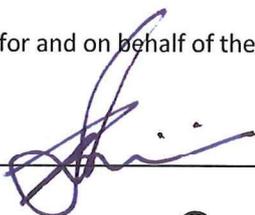
	Note	2020 \$	2019 \$
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	18	18,000,000	18,000,000
Reserves	19	7,767,045	8,064,046
Retained earnings		36,645,167	31,788,789
<b>Total Equity</b>		<u>62,412,212</u>	<u>57,852,835</u>
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Interest-bearing loans and borrowings	20	37,178,172	30,552,240
Income in advance	23	9,960,774	9,670,888
Deferred tax liability	10	2,849,252	2,639,823
<b>Total Non - Current Liabilities</b>		<u>49,988,198</u>	<u>42,862,951</u>
<b>Current Liabilities</b>			
Trade and other payables	22	3,207,787	4,009,477
Employee benefits	21	258,025	217,394
Bank overdrafts	17	-	2,586,836
Interest-bearing loans and borrowings	20	1,764,360	4,374,398
Income in advance	23	277,694	407,313
Government Grants not yet spent		263,667	-
<b>Total Current Liabilities</b>		<u>5,771,533</u>	<u>11,595,418</u>
<b>Total Liabilities</b>		<u>55,759,731</u>	<u>54,458,369</u>
<b>Total Equity and Liabilities</b>		<u>118,171,943</u>	<u>112,311,204</u>

**FAR NORTH HOLDINGS LIMITED**  
**STATEMENT OF FINANCIAL POSITION (continued)**  
**AS AT 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	11	26,666,493	27,079,918
Investment property	12	85,474,560	79,152,239
Biological assets	15A	1,603,560	2,403,730
Intangible assets	13	100,000	200,000
<b>Total Non - Current Assets</b>		<b>113,844,613</b>	<b>108,835,887</b>
<b>Current Assets</b>			
Inventories	15	1,582,439	1,265,694
Other investments	14	570,716	743,778
Trade and other receivables and prepayments	16	2,142,344	1,437,128
Cash and cash equivalents	17	31,831	28,717
<b>Total Current Assets</b>		<b>4,327,330</b>	<b>3,475,317</b>
<b>Total Assets</b>		<b>118,171,943</b>	<b>112,311,204</b>

Approved for and on behalf of the Board of Directors

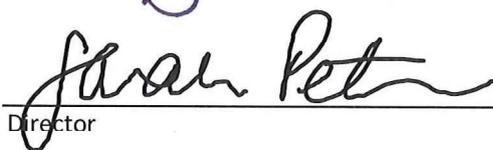
Director



Date

30/4/20

Director



Date

30/11/20

**FAR NORTH HOLDINGS LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020	2019
<b>Cash flows from operating activities</b>		<b>\$</b>	<b>\$</b>
Cash receipts from customers		14,062,241	15,529,750
Cash paid to suppliers and employees		(11,337,724)	(8,275,757)
GST received/(paid)		425,619	(263,890)
Interest received		8,937	3,949
Interest paid		(1,618,503)	(1,520,798)
Income tax received/(paid)		(200,000)	69
<b>Net cash inflow/(outflow) from operating activities</b>		<b>1,340,570</b>	<b>5,473,323</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and investment property, and biological assets		(5,635,354)	(19,024,085)
(Purchase)/sale of investments		(38,925)	(766,308)
Proceeds from sale of property, plant and equipment and investment property		4,004,765	2,285,037
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(1,669,514)</b>	<b>(17,505,356)</b>
<b>Cash flows from financing activities</b>			
Loan advance/(repayment)		4,015,894	4,741,438
Shares issued		-	6,000,000
Dividends paid		(1,097,000)	(843,810)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>2,918,894</b>	<b>9,897,628</b>
Net increase/(decrease) in cash and cash equivalents		2,589,950	(2,134,405)
Cash and cash equivalents at beginning of year		(2,558,119)	(423,714)
<b>Cash and cash equivalents at end of year</b>	17	<b>31,831</b>	<b>(2,558,119)</b>

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**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 financial statements of the Company are for the year ended 30 June 2020.

**2. BASIS OF PREPARATION**

Far North Holdings Limited owns 50% of the shares in Far North Skincare Limited. The associate has no assets and liabilities and is in the process of being removed from the companies register. Therefore the financial statements comprise the results of Far North Holdings Limited only.

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
- Letter of support from the Company's sole shareholder FNDC
- 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 Company 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 Company 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 Company 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.

**(b) Functional and Presentation Currency**

The financial statements are presented in New Zealand dollars (\$) which is the Company'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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The company 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 Company 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 Company, 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 Company 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 Company 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 Company's financial statements require measurement at, and/or disclosure of fair value. The fair value measurement of the Company'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 Company 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

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.

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.

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

(c) Tax (continued)

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 Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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.

e) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(f) 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.

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

(g) 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.

*(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 Company. Ongoing repairs and maintenance is expensed as incurred.

FAR NORTH HOLDINGS LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(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).

**(h) 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 Company 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.

*(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.

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

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) Share capital**

The Company has ordinary shares and convertible non participating redeemable shares. Refer note 18 for details.

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

(n) Non-current assets held for sale or distribution

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 Company'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 company's intangible assets and property, plant and equipment are no longer amortised or depreciated.

(o) 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 Company initially recognises financial instruments on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company 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 Company is recognised as a separate asset or liability.

The company 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 any impairment losses (see note 3 (p) (i)). 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.

(p) Financial liabilities

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

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

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

(p) Financial liabilities (continued)

The Company 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 Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(q) 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 Company on terms that the Company 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 Company, 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.

*(ii) Financial assets measured at amortised cost*

The Company 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 Company 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 Company'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.

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

*(iii) Non-financial assets (continued)*

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.

**(r) Government Grants**

Government Grants received on capital expenditure have been deducted in arriving at the carrying amount of the assets purchased. Grants for revenue expenditure are netted against the cost incurred by the Company. Where retention of a government grant is dependant on the Company 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 consolidated statement of comprehensive income or netted against the asset purchased.

**(s) Covid-19 Considerations**

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. This resulted in a nationwide lockdown of all non-essential services at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May. As a result, economic uncertainties have arisen which will negatively affect operations and services.

During lockdown FNHL closed the boatyard and painting operation. The marina continued to operate on a skeleton staff, ensuring those living within the marina were safe and comfortable. Although the honey operation was considered an essential service, the operation was scaled back to necessary duties only to maintain bee welfare. The airport was closed except for essential services flights and operations. Building and development work stopped during level 4 and started again in level 3 with enhanced, appropriate health and safety measures in place. Cruise ships and international flights have been ceased, reducing tourism to the Bay of Islands. FNHL provided rent relief to tenants during the lockdown and longer periods in specific circumstances.

After a strong financial performance in previous years, FNHL are in a good financial position to be able to endure the adverse economic impacts of Covid-19. FNHL business is diverse ensuring ongoing revenue streams from less affected areas of the business.

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

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

<b>4. REVENUE</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Goods sold	2,657,440	2,860,302
Services	7,964,487	7,695,957
Commission	27,196	7,609
Rental income	3,806,387	3,744,652
	<u>14,455,510</u>	<u>14,308,520</u>

<b>5. OTHER INCOME</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Government Wage Subsidy	359,880	-
Gain on sale of investment property	484,679	389,385
Gain on sale of property, plant and equipment	-	5,652
	<u>844,559</u>	<u>395,037</u>

<b>6. EMPLOYEE BENEFIT EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Salaries and wages	3,101,157	2,480,129
Contributions to Kiwisaver	81,396	61,347
Increase/(decrease) in employee benefit liabilities	27,822	18,590
Total employee benefit expenses	<u>3,210,374</u>	<u>2,560,066</u>

<b>7. OTHER EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Fees to principal Auditor		
Audit fees for current year	78,284	68,324
Directors' compensation:		
Directors fees	152,610	157,400
Donations	57,400	64,064
Inventories	1,517,904	2,471,929
Impairment of receivables	26,665	19,763
Loss on disposal of property, plant and equipment	-	-
Minimum lease payments under operating leases	56,525	62,436
Direct expenses from investment property generating income	1,169,464	1,702,740
Other operating expenses	4,032,377	3,178,660
Total other expenses	<u>7,091,229</u>	<u>7,725,316</u>

<b>8. DEPRECIATION AND AMORTISATION</b>	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
Depreciation property, plant & equipment	11	816,347	594,401
Amortisation software	13	-	8,159
Total depreciation and amortisation		<u>816,347</u>	<u>602,560</u>

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**9. NET FINANCE COSTS**

<i>Recognised in profit or loss:</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Finance Income</b>		
Interest income on loans and receivables	8,998	3,949
<b>Finance Expense</b>		
Interest expenses on financial liabilities measured at amortised cost (including finance leases)	1,618,079	1,521,950
<b>Net Finance Costs</b>	<u>1,609,081</u>	<u>1,518,001</u>

**10. INCOME TAX**

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

<b>Income tax recognised in profit or loss:</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Current tax	142,987	113,764
Deferred tax expense	309,435	113,611
<b>Total income tax expense</b>	<u>452,422</u>	<u>227,375</u>
<b>Income tax recognised in other comprehensive income:</b>	<u>(100,006)</u>	<u>34,273</u>
Aggregate current and deferred tax relating to items in other comprehensive income	(100,006)	34,273

**b) Reconciliation of income tax expense**

<b>Profit / (loss) before income tax expense</b>	6,541,412	3,697,975
Tax expense at 28%	1,831,595	1,035,433
Permanent differences	(158,062)	(401)
Deferred tax adjustment	(1,221,111)	(636,310)
Group loss offset	-	(171,347)
<b>Tax payable / (losses not recognised)</b>	<u>452,422</u>	<u>227,375</u>

**c) Deferred tax**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	2,639,823	2,491,938
Current year movement	209,429	147,885
<b>Deferred tax asset/(liability)</b>	<u>2,849,252</u>	<u>2,639,823</u>

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**10. INCOME TAX (continued)**

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment other	487,997	542,035
Property, plant and equipment buildings	206,887	614,982
Investment property	2,265,225	1,478,954
Biological assets	(24,273)	77,920
Employee benefits	(53,124)	(45,335)
Other items	(33,460)	(28,734)
	<b><u>2,849,252</u></b>	<b><u>2,639,823</u></b>

FAR NORTH HOLDINGS LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2020

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 1 July 2018	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 June 2019	Recognised in Profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance at 30 June 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Property, plant and equipment other	545,258	(13,105)	9,882	542,035	45,968	-	(100,006)	487,997
Property, plant and equipment buildings	590,591		24,391	614,982	(408,095)	-	-	206,887
Investment property	1,419,102	59,852	-	1,478,954	786,271	-	-	2,265,225
Biological assets	-	77,920	-	77,920	(102,193)	-	-	(24,273)
Employee benefits	(40,130)	(5,205)	-	(45,335)	(7,789)	-	-	(53,124)
Other items	(22,883)	(5,851)	-	(28,734)	(4,726)	-	-	(33,460)
	<u>2,491,938</u>	<u>113,611</u>	<u>34,273</u>	<u>2,639,822</u>	<u>309,436</u>	<u>-</u>	<u>(100,006)</u>	<u>2,849,252</u>

From 1 July 2007 the Company formed a consolidated group for tax purposes with Far North District Council.

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

The Company does not maintain its own imputation credit account as it is part of a consolidated group.

FAR NORTH HOLDINGS LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020  
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 2019	11,393,122	8,763,085	3,482,691	1,794,001	76,264	2,691,785	1,023,918	80,853	19,053	29,324,772
Additions	45,442	91,045		-		167,827	587,745	47,944	8,155	948,158
Disposals							(30,000)			(30,000)
Reclassified to investment property										-
Revaluations	(137,771)	(539,265)	(472,334)	166,998						(982,372)
Balance at 30 June 2020	<b>11,300,793</b>	<b>8,314,865</b>	<b>3,010,357</b>	<b>1,960,999</b>	<b>76,264</b>	<b>2,859,612</b>	<b>1,581,663</b>	<b>128,797</b>	<b>27,208</b>	<b>29,260,558</b>
Accumulated depreciation and impairment										
Balance at 1 July 2019					20,195	1,717,398	486,746	20,515	-	2,244,854
Disposals							(7,000)		-	(7,000)
Depreciation		266,464	139,308	54,364	2,301	238,240	110,526	5,144	-	816,347
Elimination on revaluation		(266,464)	(139,308)	(54,364)					-	(460,136)
Balance at 30 June 2020	-	-	-	-	<b>22,496</b>	<b>1,955,638</b>	<b>590,272</b>	<b>25,659</b>	-	<b>2,594,065</b>
Net book value										
At 30 June 2019	11,393,122	8,763,085	3,482,691	1,794,001	56,069	974,387	537,172	60,338	19,053	27,079,918
At 30 June 2020	<b>11,300,793</b>	<b>8,314,865</b>	<b>3,010,357</b>	<b>1,960,999</b>	<b>53,768</b>	<b>903,974</b>	<b>991,391</b>	<b>103,138</b>	<b>27,208</b>	<b>26,666,493</b>

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 Company, 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 was performed by Brad Sworn, ANZIV of the firm Telfer Young (Northland) Limited, and the valuation is effective at 30 June 2020.

FAR NORTH HOLDINGS LIMITED  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2020

11. PROPERTY, PLANT AND EQUIPMENT (continued)

*Security*

At 30 June 2020, certain land and buildings, with a carrying amount of \$60,782,000 (2019: \$53,627,000) 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

	2020	2019
	\$	\$
Balance at 1 July	79,152,239	72,614,158
Acquisitions	4,950,864	7,129,819
Disposals	(3,497,086)	(1,890,000)
Fair value gain on acquisition	2,018,615	-
Change in fair value	2,849,929	1,298,262
<b>Balance at 30 June</b>	<u>85,474,561</u>	<u>79,152,239</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. No contingent rents are charged.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company'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 Company 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 2020.

FAR NORTH HOLDINGS LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

13. INTANGIBLE ASSETS

<i>Cost</i>	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 July 2019</b>	301,287	179,959	481,246
Additions	-	-	-
<b>Balance at 30 June 2020</b>	<u>301,287</u>	<u>179,959</u>	<u>481,246</u>
<i>Accumulated amortisation and impairment</i>	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at 1 July 2019</b>	101,287	179,959	281,246
Amortisation charge for the year	-	-	-
Impairment losses	100,000	-	100,000
<b>Balance at 30 June 2020</b>	<u>201,287</u>	<u>179,959</u>	<u>381,246</u>
<i>Net book value</i>			
At 30 June 2019	200,000	-	200,000
At 30 June 2020	100,000	-	100,000

14. OTHER INVESTMENTS

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Current investments</b>		
Shares Fonterra	570,716	542,173
Short term loan	-	201,605
<b>Total other investments</b>	<u>570,716</u>	<u>743,778</u>
<b>Shares Fonterra</b>		
Opening value	542,173	690,915
Additions	38,925	
Change in fair value	(10,382)	(148,742)
Closing value	<u>570,716</u>	<u>542,173</u>

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

15. INVENTORIES

	<b>2020</b>	<b>2019</b>
	\$	\$
Power bee products	-	153,212
Honey	1,537,459	1,067,155
Fuel	32,657	24,177
Chandlery and boatyard	12,323	21,150
<b>Total inventories</b>	<u>1,582,439</u>	<u>1,265,694</u>

Some inventories are subject to retention of title clauses.

FAR NORTH HOLDINGS LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

15A. BIOLOGICAL ASSETS

	2020	2019
	\$	\$
Balance at beginning of Year	2,403,730	-
Purchases Queen Bees	-	80,000
Hives	-	2,145,583
Increase/(Decrease) in fair value of queens and hives	(800,170)	178,147
Balance at end of Year	<u>1,603,560</u>	<u>2,403,730</u>

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

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2020	2019
	\$	\$
Far North District Council	611,347	151,204
Trade and other receivables	1,445,206	1,200,991
Prepayments	85,791	84,933
<b>Total trade and other receivables and prepayments</b>	<u>2,142,344</u>	<u>1,437,128</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:

	2020	2019
	\$	\$
Balance at 1 July	26,000	26,000
Receivables written off during the year	(8,165)	(19,763)
Additional provisions made during the year	26,665	19,763
<b>Balance at 30 June</b>	<u>44,500</u>	<u>26,000</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.

17. CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash at Bank and in hand	31,831	28,717
Total cash and cash equivalents	<u>31,831</u>	<u>28,717</u>
Bank overdrafts	-	(2,586,836)
<b>Total cash and cash equivalents and bank overdrafts for the purpose of the statement of cash flows</b>	<u>31,831</u>	<u>(2,558,119)</u>

Bank overdraft facilities are provided by the Bank and secured by the first charge debenture. The interest rate on the bank overdraft was 8.83% (2019: 9.76%). The maximum overdraft facility available to the Company was \$1,000,000 (2019: \$4,000,000).

Interest rates applying to bank balances was 0.0% (2019: 0.1%). Bank balances are on call.

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

<b>18. EQUITY</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares - fully paid	7,000,000	7,000,000
Redeemable shares - fully paid	11,000,000	11,000,000
<b>Total share capital</b>	<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 Company, other than by the discretion of the Directors, to vote at any General Meeting of the Company or to subscribe for or be offered or allotted any present or future issues of shares in the capital of the Company. Since 30 May 2004, the Company 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 Company, and rank equally with regard to the Company's residual assets.

<b>19. RESERVES</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Balances</b>		
Asset Revaluation Reserve	7,546,587	7,968,817
Equity Investment Reserve	(159,124)	(148,742)
Maintenance Reserve - Opuu Marina	228,721	3,395
Maintenance Reserve - Opuu Wharf	62,956	154,972
MAF Building Reserve	16,100	13,800
Capital Reserve	71,804	71,804
	<u>7,767,045</u>	<u>8,064,046</u>
<b>Movements</b>		
<b>Asset Revaluation Reserve</b>		
Opening Balance	7,968,817	6,900,864
Revaluation - Fixed and Intangible Assets	(522,236)	1,102,226
Transfer on disposal/reclassification		-
Less Deferred Tax	100,006	(34,273)
Closing Balance	<u>7,546,587</u>	<u>7,968,817</u>
<b>Equity Investment Reserve</b>		
Opening Balance	(148,742)	-
Devaluation Fonterra shares	(10,382)	(148,742)
Closing Balance	<u>(159,124)</u>	<u>(148,742)</u>
<b>Maintenance Reserve Opuu Marina</b>		
Opening Balance	3,395	3,395
Transferred from/(to) retained earnings	225,326	-
Closing Balance	<u>228,721</u>	<u>3,395</u>
<b>Maintenance Reserve Opuu Wharf</b>		
Opening Balance	154,972	142,845
Transferred from/(to) retained earnings	(92,016)	12,127
Closing Balance	<u>62,956</u>	<u>154,972</u>

FAR NORTH HOLDINGS LIMITED  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

19. RESERVES (Continued)

	2020	2019
<b>MAF Building Reserve</b>		
Opening Balance	13,800	11,500
Transferred from retained earnings	2,300	2,300
Closing Balance	<u>16,100</u>	<u>13,800</u>
<b>Capital Reserve</b>		
Opening Balance	71,804	71,804
Closing Balance	<u>71,804</u>	<u>71,804</u>

20. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2020	2019
		\$	\$
<b>Secured Bank Loans</b>			
Current		1,764,360	4,374,398
Non-current		37,178,172	30,552,240
<b>Total interest-bearing loans &amp; borrowings</b>		<u>38,942,532</u>	<u>34,926,638</u>

The terms and conditions of outstanding loans are as follows:

In New Zealand Dollars	Nominal Interest rate	Year of Maturity	2020		2019	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	3.36%	2020-2021	1,764,360	1,764,360	34,926,638	34,926,638
Secured bank loan	3.51%	2021-2022	34,225,000	34,225,000	-	-
Secured bank loan	3.92%	2022-2024	2,953,172	2,953,172	-	-
<b>Total interest-bearing liabilities</b>			<u>38,942,532</u>	<u>38,942,532</u>	<u>34,926,638</u>	<u>34,926,638</u>

The bank loans are secured over certain land and buildings with a carrying amount of \$60,782,000 (2019: \$59,797,000) and a general security agreement over all company assets.

Interest rates on the loans at 30 June 2020 varied from 3.36% to 3.92% (2019: 4.12% to 4.4%).

21. EMPLOYEE BENEFITS

	2020	2019
	\$	\$
Salaries payable	68,298	55,488
Liability for annual leave - current	189,728	161,906
<b>Total employee benefits</b>	<u>258,025</u>	<u>217,394</u>

22. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Shareholder advances	97,857	117,016
Taxation payable	56,695	113,764
Trade and other payables	3,053,235	3,778,697
	<u>3,207,787</u>	<u>4,009,477</u>

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

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**23. INCOME IN ADVANCE**

	<b>2020</b>	<b>2019</b>
<b>Non current portion</b>	<b>\$</b>	<b>\$</b>
Income received in Advance - long term	9,960,774	9,670,888
Total non current portion	<u>9,960,774</u>	<u>9,670,888</u>
<b>Current portion</b>		
Income received in Advance - current	54,022	191,937
Marina Stage 2 Berth Sales	223,672	215,376
Total current portion	<u>277,694</u>	<u>407,313</u>
<b>Total Income in Advance</b>	<u>10,238,468</u>	<u>10,078,201</u>

**24. RELATED PARTIES**

**Identity of related parties**

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

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

**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 (2019: nil) and there have been no write-offs of related party balances during the year (2019: nil).

Mr R Blackman rented a berth in the marina and used the boatyard facility to the value of \$2,892 (2019: \$1,524). Birnie Capital Ltd purchased fuel to the value of \$5,477 (2019: \$0)

The transactions were made on commercial terms and conditions and at market rates.

**Key management personnel**

Total key management personnel being the Chief Executive and General Manager compensation for the year ended 30 June 2020 was \$462,961 (2019: \$454,135. Directors fees for the year were \$152,609 (2019: \$157,400).

**Inter-group transactions and balances**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Receivables from Far North District Council (excluding agency transactions)	611,347	151,204
Sales to Far North District Council	438,962	391,699
Purchases from Far North District Council	396,134	471,278
Payables to Far North District Council	97,857	117,016

During the year the Company also carried out capital works on behalf of Far North District Council to the value of \$1,450,146 (2019: \$718,366).

**FAR NORTH HOLDINGS LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**25. OPERATING LEASES**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Leases as lessee</b>		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	20,824	52,977
Between one and five years	1	20,825
More than five years	-	-
	<u>20,825</u>	<u>73,802</u>

During the year ended 30 June 2020, \$52,976 was recognised as an expense in profit or loss in respect of operating leases (2019: \$62,203).

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year old	2,018,283	2,426,207
Later than one and not later than five	4,230,478	4,763,742
Later than five years	4,666,750	5,358,594
<b>Total Non-cancellable operating leases</b>	<u>10,915,510</u>	<u>12,548,543</u>

**26. COMMITMENTS**

During the year the Company entered into new contracts for Te Hononga car park and Manea Footprints of Kupe totalling \$4.162m. At 30 June 2020 \$2.486 million (2019: \$8.117m) remained to be paid on contracts.

**27. EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no events subsequent to reporting date that would affect the financial statements.

**28. CONTINGENT ASSETS AND LIABILITIES**

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

**29. GOVERNMENT GRANTS RECEIVED**

The Company received \$7.042 million in 2020 (2019: \$4.168 million) in grants from the Ministry of Business, Innovation and Employment. This amount has been deducted from the carrying amount of the assets.

# FAR NORTH HOLDINGS LIMITED

## STATEMENT OF SERVICE PERFORMANCE

### For the Year Ended 30 June 2020

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
- 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 with the aim of maximising profit for its shareholder – Council, and operate as a commercial profit orientated entity.

#### 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 2018-21 SOI period to deliver on our strategic objectives. (Updated with status as at 30 June 2020).

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 June 2020
<b>Capital Projects</b>			
Marina Extension & Boatyard	Completion of landscaping and associated amenities.	Increase and improve public and community benefits, whilst enhancing visitor experience.	Marina construction completed. This has exceeded expectation in terms of occupancy and financial performance. Landscaping and amenities continually improving.
Waitangi Wharf	Additional pontoon to cater for increased passenger numbers and tours.	This will further improve the infrastructure needed to support the growth in cruise ships numbers, and size, visiting the Bay of Islands, and the economic benefit that retail and tourist businesses benefit from the passengers that travel in this manner.	Final gangway for new inner pontoon has been completed.

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 June 2020
<b>Capital Projects</b>			
Russell Wharf Kiosk Redevelopment	To provide better public amenity and an improved, user-friendly environment on the Russell Wharf.	Increase passenger and terminal traffic on the wharf to enhance visitor experience.	This project has been delayed to align with the Kororareka-Russell Community Wharf Kaitiaki Trust future for the wharf.
Te Hononga Kawakawa	To provide a new interpretive Gallery co-governed by Ngati Hine / Hundertwasser Trust, relocate the FNDC library and provide new workshops.	Redevelopment of the Kawakawa town centre that will make Kawakawa a destination in its own right. Linking the famous toilets, twin coast cycleway and town square.	The building will be completed August 2020 and the carpark will be completed by October 2020.
Bay of Islands Airport Terminal	The development of a new terminal building, and new rental facilities.	Reflecting the investment made by Air NZ in the apron / taxiway to accommodate larger aircraft, and more frequent flights, a new terminal is needed to accommodate this passenger growth.	Completed June 2019
Ngawha Innovation and Enterprise Park	204ha Dairy Farm	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	Funding agreement signed with Provincial Growth Fund.
Manea	The development of an interactive theatre experience telling the story of Kupe.	The development of a tourist attraction, telling a story of national significance to Maori, will be a major tourism attraction and provide economic benefit to the Hokianga.	Anticipated completion December 2020.
Russell Wharf	To develop and repair the Russell Wharf.	To increase and improve public and community benefits from the facility under best ownership and management model. To enhance and increase the longevity and benefits from the structure.	Completed September 2019
Opuia Wharf	To develop an events pontoon / superyacht berth.	To provide an events facility for Cooks 250th anniversary in 2019. Used thereafter superyacht berth.	Completed October 2019
Paihia Wharf	To develop and repair the Paihia Wharf	To increase the capacity of the facility to allow continued growth in traffic and operators thus to function effectively and with pride from the facility.	Completed January 2020

In addition to the above new capital projects, FNHL shall 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 opportunities as they arise.

## Performance measures as per SOI for period 2019-2020

### Financial performance results

#### Performance Objective

Engage in successful commercial transactions

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Growth in shareholders' value	Shareholder funds increase by \$1.12 million after payment of dividend	Shareholder funds increase by \$8 million after payment of dividend	Achieved \$1.89 million	Achieved \$2.61 million	Achieved \$9.5 million
<b>Narrative</b> Includes revaluations of assets that received Provincial Growth Funding for capital improvements					

#### Performance Objective

Provide a commercial return to FNDC

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Dividend returned to FNDC	Pay a minimum dividend of \$1.215 million	Not Achieved. Proposed dividend of \$580,000	Achieved \$719,055	Achieved \$843,810	Achieved \$1,097,000
<b>Narrative</b> Due to the economic impacts of Covid-19, operational profit was not as high as forecasted in the Statement of Intent. The proposed dividend payable February 2021 will be dependent upon the ongoing effects of Covid-19 to the company balance sheet. The proposed dividend is \$740,000 less \$160,000 contribution to the Te Hononga, Hundertwasser Trust Town Square / Atea project.					

#### Performance Objective

Effective financial management

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Annual operating profit after tax to exceed \$500,000	\$2.143 million	After tax operating profit of \$1,131,167	Achieved \$1,485,212	Achieved \$1,369,949	Achieved \$2,070,239
<b>Narrative</b> Due to Covid-19 impacts FNHL did not meet the \$2.143 million target, however exceeded the measure of \$500,000					

#### Performance Objective

Asset growth and development

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Capital Expenditure	\$7.086 million	Achieved \$14.5million	Achieved \$11million	Achieved \$9million	Achieved \$19million
<b>Narrative</b> Spend is due to obtaining Provincial Growth Funds					

## Performance Objective

To achieve a return on funds invested

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Return on investment is higher than the average cost of borrowing on its commercial assets	ROI 8.79% Average cost of borrowings 4.83%	ROI 9.7% Average cost of borrowings 3.54%	Achieved ROI 6.69% ACoB 4.43%	Achieved ROI 8.63% ACoB 4.53%	Achieved ROI 12% ACoB 4.38%
<b>Narrative</b> Average cost of borrowings is decreasing as interest rates fall. The high return on investment is due to a revaluation of assets that have received Provincial Growth Funds					

## Performance Objective

Effective governance and financial control

Measure	Target 2019/2020	Actual 2019/20	2017/18	2018/19
Clean audit sign-off each year from Audit NZ	To achieve	Achieved	Achieved	Achieved
Annual Board review with appointed Audit NZ representative	To be held	Not undertaken	Achieved	Not undertaken
To remain within banking covenants	To achieve	Achieved	Achieved	Achieved
Quarterly audit and review by BDO	To perform	Achieved	Achieved	Achieved
Board Audit and Finance committee meetings to be conducted semi-annually	To be held	30-Mar-20	14-May-18	25-Feb-19

## Council Controlled Organisation Initiatives

### Performance Objective

Ensure that the Bay of Islands Airport operates within regulatory requirements

Measure	Target 2019/2020	Actual 2019/20	2017/18	2018/19
CAA Certificate	To achieve	Achieved	Achieved	Achieved

## Non-Financial performance results

### Performance Objective

Enhancing the Far North as a visitor destination

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Each year complete at least one customer and airline industry survey that demonstrates satisfaction levels with facilities and services at either Kerikeri or Kaitiāia Airports	85%	Not undertaken	Not achieved	Not achieved	Not achieved
<b>Narrative</b> FNHL working with Air NZ on construction of the new terminal and Covid-19 interrupted flights and services.					

### Performance Objective

Enhancing and development a maritime economy

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Each year complete at least one marina user or maritime services customer survey that demonstrates satisfaction levels with facilities and services available.	94%	98%	Not undertaken	95%	Winner of best international Marina South Pacific
<b>Narrative</b> 98% of respondents said that facilities and customer services were excellent, good or ok.					

### Performance Objective

Enhancing the Far North as a destination

Measure	Target 2019/2020	Actual 2019/20	2016/17	2017/18	2018/19
Complete biennial customer satisfaction survey's with cruise ship industry that demonstrates satisfaction levels with FNHL as security authority and provider of disembarking infrastructure	86%	Not undertaken	86%	Not undertaken	Not undertaken
<b>Narrative</b> Due to Covid-19 and the subsequent interruption to cruise ship services no survey was undertaken.					

# FAR NORTH HOLDINGS LIMITED

## SHAREHOLDERS INFORMATION

### For the Year Ended 30 June 2020

#### 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

There were new Directors' interests noted in the year.

#### 2. Directors' Remuneration

Directors of the Company during the year and remuneration and other benefits paid to Directors by the Company were as follows:

Far North Holdings Limited	2020	2019
R Blackman	\$25,555	\$26,200
W Birnie	\$50,847	\$52,600
K Baxter	\$25,555	\$26,200
M McCully	\$25,327	\$26,200
S Petersen	\$25,327	\$26,200

The directors took a 20% pay reduction from May 2020 to offset Covid-19 economic impacts.

#### 3. Employees' remuneration

Number of staff with salaries and benefits in excess of \$100,000:	2020	2019
\$120,000 – \$129,999	1	1
\$130,000 - \$139,999		2
\$140,000 – \$149,999	2	
\$150,000 – \$159,999		
\$160,000 – \$169,999		
\$300,000 - \$309,999		1
\$320,000 - \$329,999	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.

#### 5. Auditor

Audit 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 (2019 \$6,154). This was by way of charging them lower than market rent.

**FAR NORTH HOLDINGS LIMITED**  
**SHAREHOLDERS INFORMATION**  
For the Year Ended 30 June 2020

The Company made other cash donations to:

Name	2020 Amount excl GST	2019 Amount excl GST
Fostering Kids	\$50.00	\$50.00
Russell Radio	\$38.00	\$222.00
Going Bananas Kids Show	\$130.43	\$43.48
Autism New Zealand	\$50.00	\$50.00
Te Runanga o Taumarere Ki Rakaumangamanga	\$40,604.68	\$39,998.64
NZ Marine Export Group Inc. Millennium Cup	\$2,500.00	\$2,500.00
R Tucker Thompson Sailing Trust	\$0	\$21,000.00
Paihia Volunteer Fire brigade	\$0	\$200.00
Police Managers Guild Trust	\$200.00	\$0
He Whanau Marama Charitable Trust – Kaitaia	\$300.00	\$0
Paihia Sea Scouts	\$115.75	\$0
Sail South Pacific Ltd	\$2,500.00	\$0
The Company made “in kind” donations to	2020	2019
Opua Cruising Club & Annual Membership Prize	\$538.89	\$652.74
Vavau Regatta, Haul out voucher	\$1,283.46	\$1,549.54
BOIVRT Trivia Night	\$0	\$351.90
Russell Boating Club – Tall Ships	\$0	\$652.74
Musket Cove Regatta	\$301.20	\$1,549.54
Russell Fire Brigade	\$0	\$818.34
Tahiti Rendezvous Regatta	\$0	\$721.90
Whangaroa Coastguard	\$0	\$652.74
All Comers Fleet - haul out voucher	\$364.32	\$0.00