



Far North Holdings Limited

2018/2019



Annual Report

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**FAR NORTH HOLDINGS LIMITED
ANNUAL REPORT 2019**

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**FAR NORTH HOLDINGS LIMITED
COMPANY DIRECTORY
AS AT 30 JUNE 2019**

Nature of Business	Property and infrastructural investment, management, development, operations and services
Registered Office	Unit 9b Baffin Street Opuā
Directors	William Birnie CNZM (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





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 2021 the Directors hereby report on the activities of the company for the 12 months from 1 July 2018 to the 30 June 2019.

FNHL's Statement of Profit or Loss, Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statements of Cash flows, for the year ended 30 June 2019 are attached.

This financial year has been very busy and successful for Far North Holdings Limited and the Board is pleased to advise a trading profit of \$2.298m, with a 36% increase in profit from the previous year of \$1.688m. FNHL had forecasted a profit of \$2.204m. Total comprehensive income was \$4.390m (2018 \$3.330m). Total comprehensive income includes the revaluation of assets and investments with an increase of \$2.354m (2018 \$1.084m).

Shareholder's equity in the year increased to \$57.853m from \$48.307m in 2018. This was assisted by equity investments from Council of \$1m for the BOI Airport terminal and \$5m for the purchase of a dairy farm near Kaikohe in preparation of the Ngawha Innovation and Enterprise Park development. The 2018 dividend paid in February 2019 to Council was \$843,810 (2017 \$719,050) and the return on investment of shareholder funds at the beginning of the year is 11.6%.

While borrowings only increased by \$4.741m, FNHL's assets increased by \$20m to \$112m from \$92m last year. The growth in asset value is due to the completion of a number of projects, FNHL's acquisition of various properties, it's new venture into the honey industry and the Kaikohe Dairy Farm. The Opua Marina Estate also increased in value for both the properties and the marina, as they benefit from the increased business generated from the same.

Properties purchased within the financial year included the former Carters building and the Opua Commercial Estate, both on the State Highway south of Opua. The purchase of these sites enables flexibility with tenant rationalisation, as demand for the prime space near the marina and boatyard continue to exceed the ability to accommodate these requests.

During the year FNHL completed a number of major projects including the Ministry of Education building in Kaitaia, R Tucker Thompson building on Opua Wharf and the BOI Airport terminal. All the projects went exceptionally well and are great additions to our community and investment portfolio. The new BOI Airport terminal is a high quality facility that will accommodate passenger growth for many years to come.

The executive team has been focused on the Ngawha Innovation and Enterprise Park development. This project is an exciting prospect and if developed will create commercial business opportunities to grow the economic and employment opportunities in the Far North, particularly Kaikohe where stimulus is most needed.

FNHL is currently undertaking a number of maritime projects with the assistance of the Provincial Growth Fund at Russell, Paihia and Opuha Wharves. Although Russell Wharf Kiosk redevelopment has been delayed whilst the Trust is established, work on the repair and development to increase the longevity and benefits of the wharf structure have been completed. Work is well underway on the Paihia Wharf to increase the capacity of the facility and allow continued growth in both commercial traffic and operators plus improved public access. The Opuha Wharf events facility for Cooks 250th anniversary, Tuia 250, is anticipated to be completed in October 2019.

An additional pontoon and gangway for Waitangi wharf is underway to further improve the infrastructure needed to support the growth in cruise ship passengers visiting the Bay of Islands. Cruise ships are a vital part of the tourism mix in the Far North, providing economic benefit to retail and tourist businesses from the Bay of Islands to the Hokianga.

FNHL is also undertaking projects at Te Hononga in Kawakawa and Manea in the Hokianga, both of which have been granted Provincial Growth Funding. Te Hononga will provide an interpretive Gallery, relocate councils library and service centre and provide workshops. The redevelopment of the Kawakawa town centre will make Kawakawa a destination in its own right, linking the famous Hundertwasser designed toilets, twin coast cycle way and town square. Manea is anticipated to be completed in September 2020 and is the development of a tourist attraction telling the story of Kupe, of national significance to Maori.

Earlier this year Bay of Islands Marina was awarded Best International Marina in the Asia-Pacific region at the 2019/2020 Club Marine Marina of the Year Awards. This award reflects the quality of design, workmanship and subsequent management of the Marina. It highlights the world-class nature of the facilities and support services available in the Bay of Islands. FNHL is proud to be recognised for such a prestigious accolade and equally proud of the Marina's overall financial performance, continuing to exceed predictions.

The Board and management continue to focus on delivery of the PGF funded prospects across the district, whilst maintaining and ensuring the existing business is managed to the highest level. FNHL is well positioned to maintain solid returns that exceed its cost of capital, while operating with a sense of social and environmental responsibility.

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 and financial performance which will be reflected in future Statements of Intent. 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.



Bill Birnie CNZM
CHAIRMAN

Dated: 30 September 2019.

Independent Auditor's Report

To the readers of Far North Holdings Limited's financial statements and performance information for the year ended 30 June 2019

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 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 2019, the statement of profit or 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 that include accounting policies and other explanatory information; and
- the performance information of the company on pages 38 to 43.

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 2019; 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 43 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 2019.

Our audit was completed on 30 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board of Directors is responsible on behalf of the 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.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

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 of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 4, 9, 10 and 44 to 47 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 company 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 the audit, we have no relationship with, or interests in, the company.

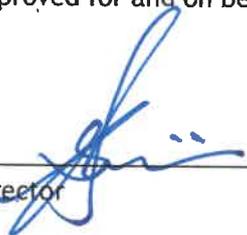


David Walker
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

**FAR NORTH HOLDINGS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

The Board of Directors present their annual report including the financial statements of the Company for the year ended 30 June 2018 and the independent auditor's report thereon.

Approved for and on behalf of the Board of Directors.



Director



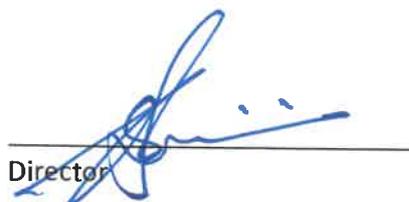
Director

30 September 2019.
Date



**FAR NORTH HOLDINGS LIMITED
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 JUNE 2019**

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 2019

	Note	2019 \$	2018 \$
Operating Revenue	4	14,308,520	12,162,392
Other Income	5	395,037	-
		<u>14,703,557</u>	<u>12,162,392</u>
Employee benefits expenses	6	2,560,066	2,149,215
Depreciation and Amortisation expenses	8	602,560	486,968
Other expenses	7	7,725,316	6,547,971
Operating profit before net financing costs		<u>3,815,615</u>	<u>2,978,238</u>
Finance income		3,949	720
Finance expenses		1,521,950	1,291,337
Net finance costs	9	<u>1,518,001</u>	<u>1,290,617</u>
Profit prior to movements in Investment Properties and other non operating movements		2,297,614	1,687,621
Impairment of Goodwill	13	-	(101,287)
Insurance settlement	28	-	1,100,000
Revaluation of biological assets		178,147	-
Devaluation of Property, Plant and equipment		(76,048)	-
Revaluation of Investment Property	12	1,298,262	415,938
Profit/(loss) before income tax		3,697,975	3,102,272
Income tax expense	10	(227,375)	(317,672)
Profit/(loss) for the period		<u>3,470,600</u>	<u>2,784,600</u>
Other comprehensive income items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		1,102,226	668,836
Devaluation of equity investments		(148,742)	-
Tax on items that will not be reclassified to profit or loss	10	(34,273)	(123,811)
Other comprehensive income for the year, net of tax		<u>919,211</u>	<u>545,025</u>
Total comprehensive income for the year		<u>4,389,811</u>	<u>3,329,625</u>

FAR NORTH HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share Capital	Property Revaluation Reserve	Equity Investment Reserve	Building & Maintenance Reserves	Capital Reserve	Retained Earnings	Total Equity
	\$	\$		\$	\$	\$	\$
Balance at 1 July 2017	12,000,000	6,390,121	-	81,683	71,804	27,152,654	45,696,262
Profit for the year	-	-	-	-	-	2,784,600	2,784,600
Other comprehensive income for the year							
Revaluation of property, plant and equipment	-	545,025	-	-	-	-	545,025
Total comprehensive income for the year	-	545,025	-	-	-	2,784,600	3,329,625
Transfers	-	(34,282)	-	76,057	-	(41,775)	-
Transactions with owners of the Company in their capacity as owners							
Dividends paid	-	-	-	-	-	(719,055)	(719,055)
Total transactions with owners of the company	-	-	-	-	-	(719,055)	(719,055)
Balance at 30 June 2018	12,000,000	6,900,864	-	157,740	71,804	29,176,425	48,306,832
Balance at 1 July 2018	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
Balance at 30 June 2019	18,000,000	7,968,817	(148,742)	172,167	71,804	31,788,789	57,852,835

FAR NORTH HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	18,000,000	12,000,000
Reserves	19	8,064,046	7,130,408
Retained earnings		31,788,789	29,176,425
Total Equity		<u>57,852,835</u>	<u>48,306,832</u>
LIABILITIES			
Non - Current Liabilities			
Interest-bearing loans and borrowings	20	30,552,240	30,185,200
Income in advance	23	9,670,888	7,789,604
Deferred tax liability	10	2,639,823	2,491,938
Total Non - Current Liabilities		<u>42,862,951</u>	<u>40,466,742</u>
Current Liabilities			
Trade and other payables	22	4,009,477	1,971,911
Employee benefits	21	217,394	184,242
Bank overdrafts	17	2,586,836	431,437
Interest-bearing loans and borrowings	20	4,374,398	-
Income in advance	23	407,313	347,657
Total Current Liabilities		<u>11,595,418</u>	<u>2,935,247</u>
Total Liabilities		<u>54,458,369</u>	<u>43,401,990</u>
Total Equity and Liabilities		<u>112,311,204</u>	<u>91,708,822</u>

FAR NORTH HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
ASSETS			
Non - Current Assets			
Property, plant and equipment	11	27,079,918	17,951,531
Investment property	12	79,152,239	72,614,158
Biological Assets	15A	2,403,730	-
Intangible assets	13	200,000	108,159
Total Non - Current Assets		108,835,887	90,673,848
Current Assets			
Inventories	15	1,265,694	216,058
Other investments	14	743,778	126,211
Trade and other receivables and prepayments	16	1,437,128	684,982
Cash and cash equivalents	17	28,717	7,723
Total Current Assets		3,475,317	1,034,974
Total Assets		112,311,204	91,708,822

Approved for and on behalf of the Board of Directors

 Director

30 September 2019.
 Date

 Director

30 SEPTEMBER 2019
 Date

**FAR NORTH HOLDINGS LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		15,529,750	15,683,066
Cash paid to suppliers and employees		(8,275,757)	(8,368,937)
GST Received/(paid)		(263,890)	22,425
Interest received		3,949	651
Interest paid		(1,520,798)	(1,291,899)
Income tax received		69	815
Net cash inflow/(outflow) from operating activities		<u>5,473,323</u>	<u>6,046,121</u>
 Cash flows from investing activities			
Purchase of property, plant and equipment and investment property, and biological assets		(19,024,085)	(9,587,707)
(Purchase)/Sale of investments		(766,308)	(126,212)
Proceeds from sale of property, plant and equipment and investment property		2,285,037	-
Net cash inflow/(outflow) from investing activities		<u>(17,505,356)</u>	<u>(9,713,919)</u>
 Cash flows from financing activities			
Loan Advance/(Repaid)		4,741,438	3,593,110
Shares issued		6,000,000	-
Dividends paid		(843,810)	(719,055)
Net cash inflow/(outflow) from financing activities		<u>9,897,628</u>	<u>2,874,055</u>
 Net increase/(decrease) in cash and cash equivalents		<u>(2,134,405)</u>	<u>(793,743)</u>
Cash and cash equivalents at beginning of year		(423,714)	370,029
Cash and cash equivalents at end of year	17	<u>(2,558,119)</u>	<u>(423,714)</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

2. BASIS OF PREPARATION

Far North Holdings Limited owns 50% of the shares in Far North Skincare Limited. The associate has not commenced trading and has no assets and liabilities therefore the financial statements comprise the results of Far North Holdings Limited only.

(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

(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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. BASIS OF PREPARATION (continued)

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.

(e) Changes in accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2019 and which have given rise to changes in the Company's accounting policies are NZ IFRS 9 Financial Instruments, and NZ IFRS 15 Revenue from Contracts with Customers. The impact of these standards has been in disclosures only, and in the classification of financial instruments.

The Company has also chosen to early adopt the amendments to NZ IAS 7 Statement of Cashflows, and has not presented a reconciliation of financing cash flows to financing liabilities.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Goods Sold

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

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

(ii) Services

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

(iii) Commissions

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

(iv) Rental income

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

(b) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings.

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

(c) Tax

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tax (continued)

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

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

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

In determining the amount of current and deferred tax the 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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 yrs
Plant, fittings and office equipment	3 - 20 yrs
Wharves	33 yrs
Ramps and moorings	33 yrs
Motor vehicles, boat transporters	5 - 15 yrs
Runways*	25 yrs
Leasehold improvements	29 yrs

* This class includes all airport infrastructure/civil works assets.

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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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.

(n) Financial Instruments

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

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

The 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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and directly attributable transactions costs.

(o) 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.

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.

(p) Impairment

(i) Financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the 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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(q) Share capital

The Company has ordinary shares and convertible non participating redeemable shares. Refer note 19 for details.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(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.

4. REVENUE	2019	2018
	\$	\$
Goods sold	2,860,302	2,202,683
Services	7,695,957	6,831,307
Commission	7,609	2,217
Rental income	3,744,652	3,126,185
	<u>14,308,520</u>	<u>12,162,392</u>

5. OTHER INCOME	2019	2018
	\$	\$
Gain on sale of investment property	389,385	-
Gain on sale of property, plant and equipment	5,652	-
	<u>395,037</u>	<u>-</u>

6. EMPLOYEE BENEFIT EXPENSES	2019	2018
	\$	\$
Salaries and wages	2,480,129	2,071,132
Contributions to kiwisaver	61,347	47,771
Increase/ (decrease) in employee benefit liabilities	18,590	30,312
Total employee benefit expenses	<u>2,560,066</u>	<u>2,149,215</u>

7. OTHER EXPENSES	2019	2018
	\$	\$
Fees to principal Auditor		
Audit fees for current year	68,324	66,334
Directors' compensation:		
Directors fees	157,400	95,715
Donations	64,064	32,480
Inventories	2,471,929	2,529,620
Impairment of receivables	19,763	(5,434)
Loss on disposal of property, plant and equipment	-	384,884
Minimum lease payments under operating leases	62,436	61,697
Direct expenses from investment property generating income	1,702,740	782,191
Other operating expenses	3,178,660	2,600,484
Total other expenses	<u>7,725,316</u>	<u>6,547,971</u>



FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8. DEPRECIATION AND AMORTISATION

	Note	2019	2018
		\$	\$
Depreciation property, plant & equipment	11	594,401	478,069
Amortisation software	13	8,159	8,899
Total depreciation and amortisation		<u>602,560</u>	<u>486,968</u>

9. NET FINANCE COSTS

Recognised in profit or loss:

	2019	2018
	\$	\$
Finance Income		
Interest income on loans and receivables	3,949	720
Finance Expense		
Interest expenses on financial liabilities measured at amortised cost (including finance leases)	1,521,950	1,291,337
Net Finance Costs	<u>1,518,001</u>	<u>1,290,617</u>

10. INCOME TAX

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

Income tax recognised in profit or loss:

	2019	2018
	\$	\$
Current tax	113,764	-
Deferred tax expense	113,611	317,672
Total income tax expense	<u>227,375</u>	<u>317,672</u>

Income tax recognised in other comprehensive income:

Aggregate current and deferred tax relating to items in other comprehensive income

34,273	123,811
<u>34,273</u>	<u>123,811</u>

b) Reconciliation of income tax expense

Profit / (loss) before income tax expense	3,697,975	3,102,272
Tax expense at 28%	1,035,433	868,636
Permanent differences	(401)	(42,844)
Deferred tax adjustment	(636,310)	(171,904)
Group loss offset	(171,347)	(336,216)
Tax payable / (losses not recognised)	<u>227,375</u>	<u>317,672</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

10. INCOME TAX (continued)

c) Deferred tax

	2019	2018
	\$	\$
Balance at the beginning of the year	2,491,938	2,050,456
Current year movement	147,885	441,482
Deferred tax asset/(liability)	<u>2,639,823</u>	<u>2,491,938</u>

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

	2019	2018
	\$	\$
Property, plant and equipment	1,157,017	1,135,849
Investment Property	1,478,954	1,419,102
Biological Assets	77,920	-
Employee benefits	(45,335)	(40,130)
Other items	(28,734)	(22,883)
	<u>2,639,823</u>	<u>2,491,938</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 2019

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 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 June 2018	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Balance at 30 June 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Property, plant and equipment	1,115,718	(103,680)	123,811	1,135,849	(13,105)	-	34,273	1,157,017
Investment property	993,793	425,309	-	1,419,102	59,852	-	-	1,478,954
Biological assets	-	-	-	-	77,920	-	-	77,920
Employee benefits	(32,623)	(7,507)	-	(40,130)	(5,205)	-	-	(45,335)
Other items	(26,432)	3,549	-	(22,883)	(5,851)	-	-	(28,734)
	2,050,456	317,671	123,811	2,491,938	113,611	-	34,273	2,639,823

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
11. PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Land	Buildings	Runways	Wharves	Ramps & moorings	Plant, fittings and office furniture	Motor vehicles, boat transporters	Leasehold improvements	Work in progress	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	6,862,252	4,003,962	3,844,193	1,617,451	76,264	1,875,650	802,511	80,853	800,009	19,963,145
Additions	3,551,048	4,881,427	-	7,549	-	816,135	221,407	-	19,053	9,496,619
Disposals	-	-	-	-	-	-	-	-	(800,009)	(800,009)
Reclassified to investment property	-	-	-	-	-	-	-	-	-	-
Revaluations	979,822	(122,304)	(361,502)	169,001	-	-	-	-	-	665,017
Balance at 30 June 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
Accumulated depreciation and impairment										
Balance at 1 July 2018	-	-	-	-	17,894	1,583,155	395,194	15,371	-	2,011,614
Disposals	-	-	-	-	-	-	-	-	-	-
Depreciation	-	158,149	153,770	49,242	2,301	134,243	91,552	5,144	-	594,401
Elimination on revaluation	-	(158,149)	(153,770)	(49,242)	-	-	-	-	-	(361,161)
Balance at 30 June 2019	-	-	-	-	20,195	1,717,398	486,746	20,515	-	2,244,854

Net book value

At 30 June 2018	6,862,252	4,003,962	3,844,193	1,617,451	58,370	292,495	407,317	65,482	800,009	17,951,531
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

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 2019.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Security

At 30 June 2019, certain land and buildings, with a carrying amount of \$53,627,000 (2018: \$52,832,000) 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

	2019	2018
	\$	\$
Balance at 1 July	72,614,158	64,646,347
Acquisitions	7,129,819	7,551,873
Disposals	(1,890,000)	-
Change in fair value	1,298,262	415,938
Balance at 30 June	79,152,239	72,614,158

Included in acquisitions is an amount of \$nil (2018 \$79,598) that represents borrowing costs capitalised during the year, using a capitalisation rate of 4.55% (2018 4.55%).

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 2019.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

13. INTANGIBLE ASSETS

<i>Cost</i>	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2018	201,287	179,959	381,246
Additions	100,000		
Balance at 30 June 2019	301,287	179,959	481,246
<i>Accumulated amortisation and impairment</i>	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2018	101,287	171,800	273,087
Amortisation charge for the year	-	8,159	8,159
Impairment losses	-	-	-
Balance at 30 June 2019	101,287	179,959	281,246
Net book value			
At 30 June 2018	100,000	8,159	108,159
At 30 June 2019	200,000	-	200,000

14. OTHER INVESTMENTS

	2019	2018
	\$	\$
Current investments		
Shares Fonterra	542,173	-
Short term loan	201,605	126,211
Total other investments	743,778	126,211
Shares Fonterra		
Purchase price	690,915	-
Change in fair value	(148,742)	-
Closing value	542,173	-

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

15. INVENTORIES

	2019	2018
	\$	\$
Power bee products	153,212	153,212
Honey	1,067,155	-
Fuel	24,177	38,506
Chandlery and boatyard	21,150	24,340
Total inventories	1,265,694	216,058

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 2019

15A. BIOLOGICAL ASSETS

	2019	2018
	\$	\$
Balance at beginning of Year	-	-
Purchases Queen Bees	80,000	-
Hives	2,145,583	-
Increase in fair value of hives	178,147	-
Balance at end of Year	<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

	2019	2018
	\$	\$
Far North District Council	151,204	33,234
Trade and other receivables	1,200,991	589,795
Prepayments	84,933	61,953
Total trade and other receivables and prepayments	<u>1,437,128</u>	<u>684,982</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:

	2019	2018
	\$	\$
Balance at 1 July	26,000	40,000
Receivables written off during the year	(19,763)	(8,566)
Additional provisions made during the year	19,763	(5,434)
Balance at 30 June	<u>26,000</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

	2019	2018
	\$	\$
Cash at Bank and in hand	28,717	7,723
Total cash and cash equivalents	<u>28,717</u>	<u>7,723</u>
Bank overdrafts	(2,586,836)	(431,437)
Total cash and cash equivalents and bank overdrafts for the purpose of the statement of cash flows	<u>(2,558,119)</u>	<u>(423,714)</u>

Bank overdraft facilities are provided by the Bank and secured by the first charge debenture. The interest rate on the short-term bank overdraft was 9.76% (2018: 5.81%). The maximum overdraft facility available to the Company was \$4,000,000 (2018: \$1,000,000).

Interest rates applying to bank balances was 0.1% (2018: 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 2019

18. EQUITY

	2019	2018
	\$	\$
Ordinary shares - fully paid	7,000,000	7,000,000
Redeemable shares - fully paid	11,000,000	5,000,000
Total share capital	<u>18,000,000</u>	<u>12,000,000</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.

19. RESERVES

	2019	2018
	\$	\$
Balances		
Asset Revaluation Reserve	7,968,817	6,900,864
Equity Investment Reserve	(148,742)	-
Maintenance Reserve - Opuia Marina	3,395	3,395
Maintenance Reserve - Opuia Wharf	154,972	142,845
MAF Building Reserve	13,800	11,500
Capital Reserve	71,804	71,804
	<u>8,064,046</u>	<u>7,130,408</u>
Movements		
Asset Revaluation Reserve		
Opening Balance	6,900,864	6,390,121
Revaluation - Fixed and Intangible Assets	1,102,226	668,836
Transfer on disposal/reclassification	-	(34,282)
Less Deferred Tax	(34,273)	(123,811)
Closing Balance	<u>7,968,817</u>	<u>6,900,864</u>
Equity Investment Reserve		
Opening Balance	-	-
Devaluation Fonterra shares	(148,742)	-
Closing Balance	<u>(148,742)</u>	<u>-</u>
Maintenance Reserve Opuia Marina		
Opening Balance	3,395	(59,605)
Transferred from/(to) retained earnings	-	63,000
Closing Balance	<u>3,395</u>	<u>3,395</u>
Maintenance Reserve Opuia Wharf		
Opening Balance	142,845	132,088
Transferred from retained ea	12,127	10,757
Closing Balance	<u>154,972</u>	<u>142,845</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

19. RESERVES (Continued)

	2019	2018
MAF Building Reserve		
Opening Balance	11,500	9,200
Transferred from retained earnings	2,300	2,300
Closing Balance	<u>13,800</u>	<u>11,500</u>
Capital Reserve		
Opening Balance	71,804	71,804
Closing Balance	<u>71,804</u>	<u>71,804</u>

20. INTEREST-BEARING LOANS AND BORROWINGS

	Note	2019	2018
		\$	\$
Secured Bank Loans			
Current		4,374,398	-
Non-current		30,552,240	30,185,200
Total interest-bearing loans & borrowings		<u>34,926,638</u>	<u>30,185,200</u>

The terms and conditions of outstanding loans are as follows:

In New Zealand Dollars	Nominal Interest rate	Year of Maturity	2019		2018	
			\$	\$	\$	\$
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	4.39%	2019-2020	4,374,398	4,374,398	30,185,200	30,185,200
Secured bank loan	4.12% to 4.4%	2020-2021	30,552,240	30,552,240	-	-
Total interest-bearing liabilities			<u>34,926,638</u>	<u>34,926,638</u>	<u>30,185,200</u>	<u>30,185,200</u>

The bank loans are secured over certain land and buildings with a carrying amount of \$59,797,000 (2018: \$52,832,000) and a general security agreement over all company assets.

Interest rates on the loans at 30 June 2019 varied from 4.12% to 4.4% (2018: 4.35% to 4.66%).

21. EMPLOYEE BENEFITS

	2019	2018
	\$	\$
Salaries payable	55,488	40,926
Liability for annual leave - current	161,906	143,316
Total employee benefits	<u>217,394</u>	<u>184,242</u>

22. TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Shareholder advances	117,016	65,749
Taxation payable	113,764	-
Trade payables	3,778,697	1,906,162
	<u>4,009,477</u>	<u>1,971,911</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 2019

23. INCOME IN ADVANCE

	2019	2018
Non current portion	\$	\$
Income received in Advance - long term	9,670,888	7,789,604
Total non current portion	<u>9,670,888</u>	<u>7,789,604</u>
Current portion		
Income received in Advance - current	191,937	191,923
Marina Stage 2 Berth Sales	215,376	155,734
Total current portion	<u>407,313</u>	<u>347,657</u>
Total Income in Advance	<u><u>10,078,201</u></u>	<u><u>8,137,261</u></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 (2018: nil) and there have been no write-offs of related party balances during the year (2018: nil).

Key management personnel

Mr R Blackman rented a berth in the marina and used the boatyard facility to the value of \$1,524.

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

Total key management personnel being the Chief Executive and General Manager compensation for the year ended 30 June 2019 was \$ 454,135 (2018:\$485,480. Directors fees for the year were \$157,400 (2018: \$95,715).

Inter-group transactions and balances

	2019	2018
	\$	\$
Receivables from Far North District Council (excluding agency transactions)	151,204	4,240
Sales to Far North District Council	391,699	377,056
Purchases from Far North District Council	471,278	403,579
Payables to Far North District Council	117,016	81,520

During the year the Company also carried out capital works on behalf of Far North District Council to the value of \$718,366 (2018: \$564,692).

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

25. OPERATING LEASES

	2019	2018
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	52,977	49,977
Between one and five years	20,825	70,802
More than five years	-	-
	<u>73,802</u>	<u>120,779</u>

During the year ended 30 June 2019, \$62,203 was recognised as an expense in profit or loss in respect of operating leases (2018: \$61,697).

	2019	2018
	\$	\$
Non-cancellable operating leases as lessor		
Not later than one year old	2,426,207	2,430,620
Later than one and not later than five	4,763,742	5,050,236
Later than five years	5,358,594	5,372,742
Total Non-cancellable operating leases	<u>12,548,543</u>	<u>12,853,598</u>

26. COMMITMENTS

During the year the Company entered into new contracts for Te Hononga, Paihia Wharf, Opua Wharf and Russell Wharf totalling \$11.219 million. At 30 June 2019 \$8.117 million remained to be paid on contracts. At 30 June 2018 the amount remaining to be paid to contractors was \$4.736 million.

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 \$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 2019

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 30th June 19).

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 th June 2019
Capital Projects			
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 installed over summer of 2019/2020.
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 to be completed December 2019

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 th June 2019
Capital Projects			
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.	Delayed whilst the Russell Wharf Trust was established.
R Tucker Thompson	To develop new workshop and offices on Opuia Wharf.	Provides infrastructure to ensure the longevity of the Trust and R Tucker Thompson operations in the Bay of Islands.	Completed October 2018
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 (Kaikohe Commercial Park)	To purchase the property from Top Energy, and Fonterra Dairy Company shares and to commence process to provide for future use as commercial hub.	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	Ongoing with the objective that within three years all necessary planning requirements will be approved and potential tenants secured. Currently utilised as a dairy farm.
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.	Under construction and due to complete August 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.	Anticipated completion to be in stages, with the first stage, being the ferry and charter pontoons being handed over in October 2019

In February 2019 FNHL completed a statement of intent for 2019 - 2022 which included additional key capital projects and initiatives. These are tabled below, with updated status at 30 June 2019.

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 th June 2019
Capital Projects			
Opuia Wharf	To develop an events pontoon / superyacht berth.	To provide an events facility for Cooks 250th anniversary in 2019. Used thereafter superyacht berth.	Anticipated completion October 2019.

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 th June 2019
Capital Projects			
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 September 2020.
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.	April 2020 Completion

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.

The following Performance Measures are those as per the SOI for period 2018-2021

Financial performance results

Performance objective	Measure	Target 2018/19	Actual 2018/19
Engage in successful commercial transactions	Growth in shareholders' value	Shareholders' funds increase by \$1.0 million after payment of dividend	Shareholders' funds increased by \$9.5 million after payment of dividend
2015/16	2016/17	2017/18	Comments
Achieved	Achieved	Shareholders funds increased by \$2.61m, after the payment of a dividend	Includes equity investment from council of \$6 million

Performance objective	Measure	Target 2018/19	Actual 2018/19
Provide a commercial return to FNDC	Dividend returned to FNDC	Pay a minimum dividend of \$1.097 million for 2018/19	Proposed dividend of \$1.097 million
2015/16	2016/17	2017/18	Comments
Declared dividend of \$594,000 paid February 2017	Declared dividend of \$719,000 paid February 2018	Declared dividend of \$843,810 paid February 2019	Proposed dividend in accordance with the SOI to be paid February 2020.

Performance objective	Measure	Target 2018/19	Actual 2018/19
Effective financial management	Annual operating profit to exceed \$500,000	Annual operating profit to exceed \$1.985 million	Operating profit before asset revaluations \$2.197
2015/16	2016/17	2017/18	Comments
Target: \$1.143 million Achieved: \$1,222,078	Target: \$1.017 million Achieved: \$1.438 million	Target: \$1.516 million Achieved: \$1.687 million	

Performance objective	Measure	Target 2018/19	Actual 2018/19
To achieve a return on funds invested	Return on Investment (ROI) is higher than the average cost of borrowing on its commercial assets	ROI: 9.7% Average cost of borrowing: 4.5%	ROI: 12% Average cost of borrowing: 4.38%
2015/16	2016/17	2017/18	Comments
Target: ROI 5.78% Average cost of borrowing 5.5% Achieved: ROI 5.889% Average cost of borrowing 4.95%	Target: ROI 4.80% Average cost of borrowing 4.05% Achieved: ROI 6.90% Average cost of borrowing 4.43%	Target: ROI 8.24% Average cost of borrowing 5.0% Achieved: ROI 8.63% Average cost of borrowing 4.53%	The high ROI is due to investment being based on opening balance and therefore excludes \$6m investment from Council during this financial year.

Performance objective	Measure	Target 2018/19	Actual 2018/19
Asset growth and development	Capital expenditure	Target: \$9.30 million	Spent \$19 million
2015/16	2016/17	2017/18	Comments
Target: \$.926 million Achieved: \$10.26 million	Target: \$.840 million Achieved: \$11 million	Target: \$4.43 million Achieved: \$9.103 million	Spend is due to obtaining Provisional Growth Funds.

Performance objective	Measure	Target 2018/19	Actual 2018/19	Actual 2017/18
Effective governance and financial control	Clean audit sign-off each year from Audit NZ	To achieve	Achieved	Achieved
	Annual Board review with appointed Audit NZ representative	To be held	5 Nov 18 with K. McKenzie	Not undertaken
	To remain within banking covenants	To achieve	Achieved	Achieved
	Quarterly audit review by BDO	To perform	Achieved	Achieved
	Board Audit and Finance committee meetings to be conducted semi-annually	To be held	25 Feb 19	14 May 2018

Council Controlled Organisation initiatives

Performance objective	Measure	Target 2018/19	Actual 2018/19
Ensure that the Bay of Islands Airport operates within regulatory requirements	CAA Certification	To achieve	Achieved
2015/16	2016/17	2017/18	
Achieved	Achieved	Achieved	

Non-financial performance results

Performance objective	Measure	Target 2018/19	Actual 2017/18
Enhancing the Far North as a visitor destination	Each year complete at least one customer and airline industry survey that demonstrates satisfaction levels with facilities and services at either Kerikeri or Kaitaia Airports	85%	No survey undertaken as FNHL only completed works in June 2019.
2015/16	2016/17	2017/18	Comments
Survey not undertaken, FNHL worked with BOI Marketing group and Air NZ Safety video to enhance visitor numbers	No survey undertaken as FNHL works with Air NZ on new terminal design	No survey undertaken as FNHL works on new terminal construction	Passenger numbers through BOI airport increased to 119,153 in 2019. (2018; 110,115)

Performance objective	Measure	Target 2018/19	Actual 2018/19
Enhancing and developing a maritime economy	Each year complete at least one marina user or maritime services customer satisfaction survey that demonstrates satisfaction levels with facilities and services available	94%	Winner of best International Marina South Pacific.
2015/16	2016/17	2017/18	Comments
Biosecurity procedures reviewed with MPI, processes approved and satisfaction certificate for facilities issued	Addition of new facilities and additional berths, new facilities extremely well received. As new marina was in 'construction mode' no survey undertaken	Marina customers were surveyed over the 2017/18 summer period. 95% were satisfied or very satisfied.	Ongoing customer feedback and judged internationally for award.

Performance objective	Measure	Target 2018/19	Actual 2018/19
Enhancing the Far North as a destination	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%	Only every second year
2015/16	2016/17	2017/18	Comments
Survey completed in prior year	Survey completed with one operator with two brands average rating across all areas monitored was 86%	No survey completed this year	Ship and passenger numbers continue to increase each year.

FAR NORTH HOLDINGS LIMITED
SHAREHOLDERS INFORMATION
For the Year Ended 30 June 2019

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	2019	2018
R Blackman	\$26,200	\$ -
W Birnie	\$52,600	\$40,150
I Walker	\$ -	\$23,002
K Baxter	\$26,200	\$19,463
M McCully	\$26,200	\$6,550
S Peterson	\$26,200	\$6,550

3. Employees' remuneration

Number of staff with salaries and benefits in excess of \$100,000:	2019	2018
\$120,000 - \$129,999	1	
\$130,000 - \$139,999	2	
\$150,000 - \$159,999		1
\$160,000 - \$169,999		1
\$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 (2018 \$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 2019

The Company made other cash donations to:

Name	2019 Amount excl GST	2018 Amount excl GST
R Tucker Thompson Sailing Trust	\$21,000.00	\$16,800.00
Fostering Kids	\$50.00	\$50.00
Russell Radio	\$222.00	\$333.00
Going Bananas Kids Show	\$43.48	\$43.48
Autism New Zealand	\$50.00	\$50.00
Paihia Volunteer Fire brigade	\$200.00	\$200.00
Te Runanga o Taumarere Ki Rakaumangamanga	\$39,998.64	\$0.00
NZ Marine Export Group Inc. Millennium Cup	\$2,500.00	\$0.00
Bay of Islands Swordfish Club - Digital Scale	\$0.00	\$3,000.00
Business Paihia Summer Festival	\$0.00	\$200.00
Heart Kids NZ	\$0.00	\$50.00
The Company made "in kind" donations to		
Opuia Cruising Club & Annual Membership Prize	\$652.74	\$403.65
Vavau Regatta, Haul out voucher	\$1549.54	\$1,326.95
BOIVRT Trivia Night	\$351.90	\$293.25
Russell Boating Club - Tall Ships	\$652.74	\$189.76
Musket Cove Regatta	\$1549.54	\$0.00
Russell Fire Brigade	\$818.34	\$0.00
Tahiti Rendezvous Regatta	\$721.90	\$0.00
Whangaroa Coastguard	\$652.74	\$0.00
BOI Marina Summer Series - vouchers	\$0.00	\$2,944.43
All Comers Fleet - haul out voucher	\$0.00	\$194.53
Hospice Mid-Northern	\$0.00	\$11,753.07

FAR NORTH HOLDINGS LIMITED
SHAREHOLDERS INFORMATION
For the Year Ended 30 June 2019

7. Other performance measures

Objective	Achievement
To invest in, develop, operate and divest "strategic businesses".	<p>During the period under review, 62 cruise liners have visited the Bay of Islands with a total passenger capacity of 135,000 and approximately an additional 39,000 crew members. There was 1 port call cancelled due to weather, but gained 1 due to bad weather in the Islands.</p> <p>The company acts as the Airport Authority for the airports under its control.</p> <p>Carried out capital expenditure investment of \$19 million in the year, on the Bay of Islands Airport Terminal, Waitangi Wharf, Russell Wharf, Te Hononga Kawakawa, Ngawha Innovation and Enterprise Park, Manea, Opuia Wharf and Paihia Wharf. As well as new investment buildings and properties.</p>
<p>To deliver value to the Shareholder</p> <ul style="list-style-type: none"> - by means of dividends - Adequate return on shareholder's funds 	<p>During the year the Company paid to its shareholders the sum of \$843,810 in dividends from the 2018 year (2017; \$719,055).</p> <p>Return on shareholder's funds, refer to Statement of Service Performance and financial performance measures.</p> <p>The Company continues to manage the Kaitia Airport on behalf of the Council.</p>
To operate within the constraints of its existing capital	<p>Equity Ratio to be greater than 50% Result 51.43%</p> <p>Interest Cover Ratio to be greater than 1.5 times earnings before interest, tax and revaluations. Result 2.54</p>
To operate in accordance with sound business practices.	<p>During the period under review Far North Holdings Limited experienced only minor staff related OH&S incidences.</p> <p>Accidents and incidents involving the general public not under FNHL control but while on FNHL land or facilities; there were 8 reported incidents, all of which only required remedial work/action in response.</p> <p>The Company did not receive any abatement notices during the period</p> <p>An unqualified audit opinion was received.</p>
To be a good employer	<p>Staff policy manuals have been updated to accommodate legislative changes. No instances of discrimination or harassment have been identified during this review period.</p> <p>18 training and professional development courses were undertaken by staff.</p>

FAR NORTH HOLDINGS LIMITED
SHAREHOLDERS INFORMATION
For the Year Ended 30 June 2019

<p>To operate with a sense of social and environmental responsibility</p>	<p>The Company held 115 (2018, 101) meetings with the community or promoting community related issues throughout the year to determine the community's views on Company activities.</p> <p>Supported youth leadership training through the R Tucker Thompson Sail Training Trust \$21,000 (2018 \$16,800).</p> <p>Regular meetings with Ngati Manu and Ngati Hine were held in accordance with their respective MOU's, further developing a greater role and involvement of FNHL with local community interest.</p> <p>Monitoring of water quality in Opuia is ongoing. FNHL is also a member of the Tamarere Water Quality Focus Group, also acting as the facilitator for the group.</p>
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