



**FAR NORTH
HOLDINGS**
LIMITED

Statement of Intent

for the year ended 30 June 2025



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Introduction

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

FNHL is wholly owned by the Far North District Council (FNDC/the Shareholder).

This Statement of Intent (SOI) is prepared to meet the requirements of Section 64 and Schedule 8 of the LGA. It outlines the activities and intentions of FNHL and its subsidiaries (the Company) and the agreed objectives to which those activities will contribute. Performance targets and measures are specified, along with FNHL's policies relating to governance and other matters.

The SOI is reviewed annually with FNDC and covers a three-year period.

Purpose of Statement of Intent

This SOI is presented by FNHL in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes the Shareholder's comments into consideration and states the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI is for the period from 1 July 2024 to 30 June 2027.

Nature and Scope of Activity

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

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

Strategic Direction

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

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



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

FNHL aims to grow asset values and to generate increasing profitability to return to FNDC and the community. We will achieve this, having regard to the interests of our communities and stakeholders, by actively managing our assets for future generations and delivering residential housing to address the needs in our communities. Maintaining a strong asset base allows FNHL to deliver ongoing revenue streams to continue to support rate reductions into the future for ratepayers, ensures we are a credible organisation to encourage grants and investment for regional improvement, and supports FNHL to achieve a scale of development to help meaningfully improve social and economic outcomes for the District.

Over the forecast period FNHL remains committed to continuing to deliver a diverse range of projects across Tai Tokerau to deliver to the above. This includes the continued focus on attracting manufacturing and processing businesses to Ngawha Innovation & Enterprise Park (Ngawha Park), the development of community housing and the provision of project management services to FNDC in supporting its development of a new library facility in Kaikohe.

Objectives

As FNDC's commercial vehicle, FNHL will grow the value of Shareholder funds, the return to FNDC over time and actively manage, develop and maintain regional infrastructure and assets. Additionally, we will contribute to the four aspects of well-being in the communities in which we operate (economic, social, environmental and cultural).

We will achieve these objectives by undertaking the following actions:

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



7. Using its portfolio: the Bay of Islands Airport, Bay of Islands Marina and Ngawha Park; the company will look to maximise opportunities to attract high quality capital and investment into the region to support FNDC's goal of sustainable prosperity.

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

Decisions for which prior FNDC approval is required

The Company will seek approval from the Shareholder:

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

In respect of any other material asset disposals the company will notify the Shareholder of its intention to sell, for transparency purposes. If the Shareholder's view has altered on the asset being disposed of, it will notify the company of such change so this may be considered by the company.

In addition the company will:

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



Group Performance Measures

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

Strategic Focus	Objectives	Group Performance Target		
		2024/ 25	2025 / 26	2026/ 27
Financial <i>“Achieve sustainable commercial returns”</i>	Create value for ratepayers by increasing shareholder funds	Grow shareholder funds by	Grow shareholder funds	Grow shareholder funds
	Ratio of consolidated shareholder funds ¹	Must exceed 50%	Must exceed 50%	Must exceed 50%
	Effective financial management to deliver profitability	Operating profit > \$2.0 million	Operating profit > \$2.5 million	Operating profit > \$3.0 million
	Return profit to FNDC by way of dividend, in line with dividend policy, excluding any agreed special dividend	Dividend payable > \$1.0 million Special dividend \$5m	Dividend payable > \$1.25 million	Dividend payable > \$1.5 million
People <i>“Be a good employer”</i>	To make safety our priority to ensure health, safety and wellbeing of all employees and contractors in the Group	Put in place Health Safety & Wellbeing Objectives	Health Safety & Wellbeing Objectives and identified target areas being actioned	Health Safety & Wellbeing Objectives and identified target areas being actioned
	Comply with our living wage policy for all permanent employees	Achieved	Achieved	Achieved

¹ Defined as total equity / total assets, as reported in the Statement of Financial Position prepared under GAAP (generally accepted accounting practice).

Far North Holdings Limited Statement of Intent



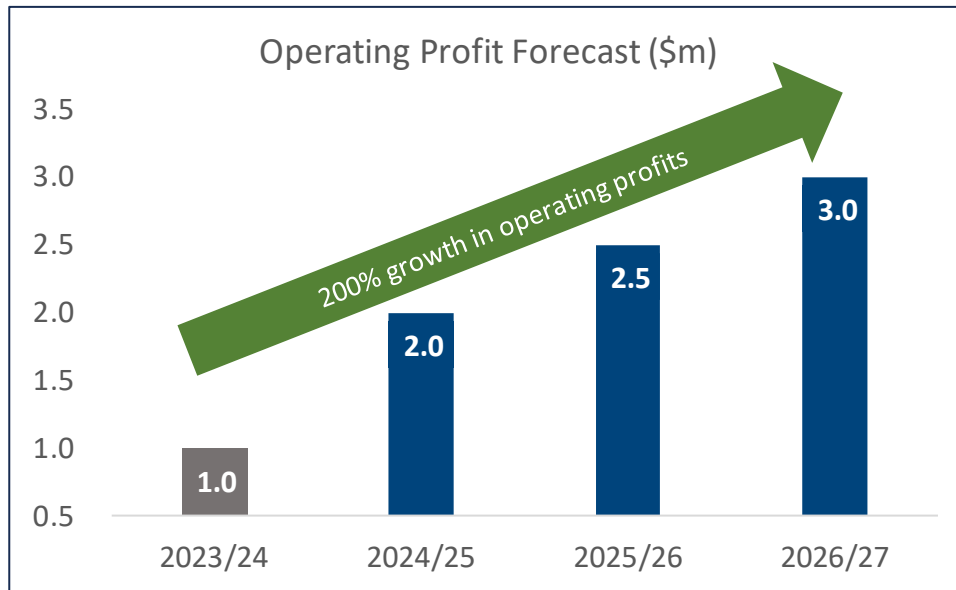
	Objectives	Group Performance Target		
		2024 / 25	2025 / 26	2026 / 27
Sustainability <i>“Undertake sustainable investment and management for the benefit of future generations”</i>	Commit to tangible action to measure climate impact and target reductions based on best practice	Scope requirements for measuring carbon footprint across Far North Holdings and its subsidiaries	Measure carbon footprint for the Ngawha Park in line with generally accepted standards	Measure carbon footprint across the wider business in line with generally accepted standards and prepare an emissions reduction plan
	Achieve and maintain Clean Marina certification	Achieved	Achieved	Achieved
Community <i>“Create economic & housing opportunities, with improving engagement and communication”</i>	Encourage positive relationships with the community by having transparent engagement policies and monitoring key stakeholder perceptions	Stakeholder perceptions survey	Stakeholder perceptions survey	Stakeholder perceptions survey
	Ngawha Park developed to grow economic and employment opportunities in the Far North	5 businesses based at the Park or incubated within the Innovation Centre	8 businesses based at the Park or incubated within the Innovation Centre	8+ businesses based at the Park or incubated within the Innovation Centre
	Identify opportunities to deliver social housing to meet local needs in partnership with Community Housing Providers (CHP's)	Develop at least 50 housing units	Develop at least 50 housing units (subject to funding availability)	Develop > 50 housing units (subject to funding availability)
	Civil Aviation Authority Certification maintained for the BOI Airport to support regional tourism and business visitors	Achieved	Achieved	Achieved



Financials

Operating Profit 3-year Forecast

The Company is focussed on managing through the challenges of high interest rates and inflation to deliver continued growth over the forecast period. The completion of current Ngawha Park and community housing projects will contribute to this growth and the Company is actively pursuing new opportunities.



Consolidated Shareholder's Funds and Total Assets

For the year ended 30th June 2023, consolidated Shareholder's Funds, as a ratio to total assets was 53%. The Company's Annual Report shows equity was \$99.17 million and total assets were \$186.40 million.

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

The Directors review the appropriateness of this target ratio annually.

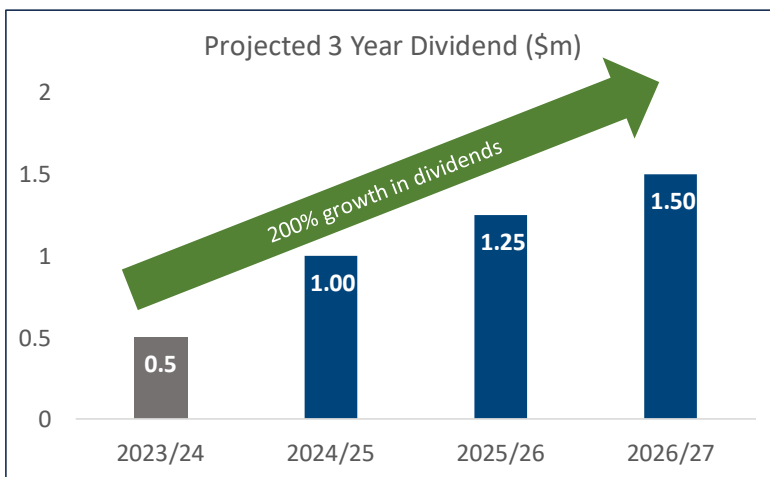


Dividend Policy

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

For the following years the company will endeavour to pay the following minimum dividends, however we acknowledge the importance of this income stream to FNDC to mitigate increased costs to ratepayers.

Accordingly, the company will proactively seek to maximise dividend returns to FNDC to exceed the minimum commitments, which may be by way of an agreed special dividend. The company will actively look to consider special dividends subject to an appropriate capital structure, realised development margins and asset sales, taking into account the balance between re-investment opportunities, debt repayment and special dividend payments.



Accounting Policies

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

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

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

Significant Accounting Policies can be found on the Far North Holdings website.

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



Board's Approach to Governance

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

Current Board Membership

- Hon Murray McCully CNZM (Chair - term ends 30 September 2024)
- Sarah Petersen (Chair Audit & Risk - term ends 30 September 2024)
- Kevin Drinkwater (term ends 31 May 2025)
- Nicole Anderson (term ends 31 May 2025)
- Jane Frances (term ends 30 October 2026)

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

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



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

- Define its organisation structure and individual accountabilities by ensuring management have clearly defined job descriptions;
- Set corporate budgets, and regularly monitor performance against these;
- Delegate both responsibility and authority to its Chief Executive;
- Hold regular board meetings to monitor progress towards the Company's goals and objectives, and manage risks;
- Ensure a directors skills matrix is regularly updated with a view to preparing a succession plan that will be provided to Council on a periodic basis; and
- Act in accordance with the Constitution and SOI.

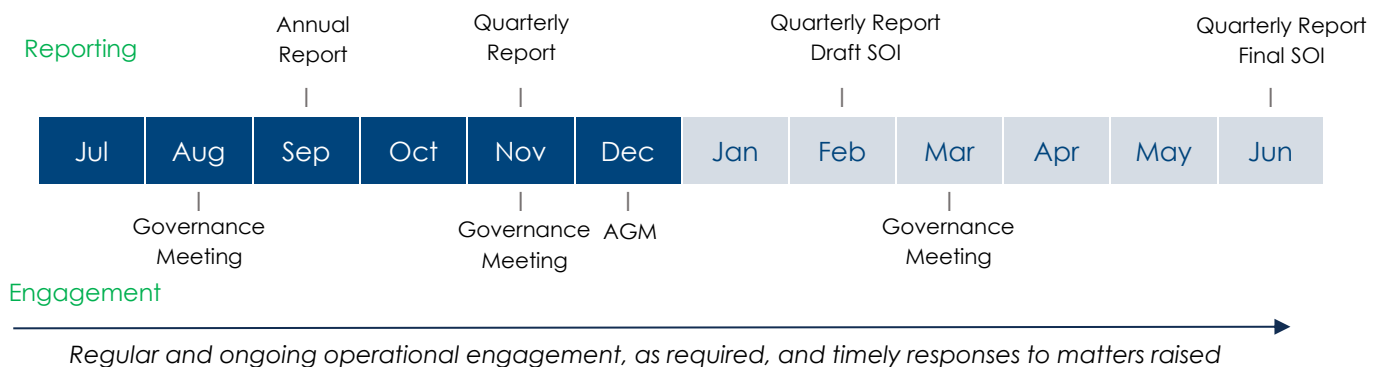
Reporting and Engagement with Shareholder

FNHL will provide Quarterly Reports to its Shareholder in accordance with Section 66 of the LGA, and an Annual Report in September. Quarterly reports will provide an update on progress of performance relating to goals and objectives. They will include a Group Statement of Financial Performance and Statement of Financial Position, with prior year comparatives and commentary of performance against budget. In addition, it will provide such additional information as agreed between the parties.

Management will also be available to present at FNDC's Assurance, Risk and Finance Committee, where required, to present regular reports and address any queries. Governance meetings between the Board, management and FNDC will also occur regularly throughout the year to ensure ongoing, regular communication and discussion regarding business operations.

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

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





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

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

Transactions with FNDC

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

Acquisition of Shares

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

Commercial Value of Shareholder's Investment

The Directors estimate the commercial value of the Shareholder's investment to be no less than the Shareholder's Funds.

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

Shareholder Funds in the Annual Report as at 30 June 2023 stood at \$99.17 million.

Commitment of the Shareholder

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

The Shareholder is expected to:

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