



**Far North
Holdings Limited**

**Statement of Intent
2021 to 2024**



Statement of Intent 2021 to 2024

Purpose of Statement of Intent

This Statement of Intent (SOI) is presented by Far North Holdings Limited (FNHL) in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes Shareholder comments into consideration and represents the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI relates to the period from 1 July 2021 to 30 June 2024.

Abbreviations

Abbreviation / Term	Description
BOI	Bay of Islands
CCO	Council Controlled Organisation
CruiseNZ	Cruise New Zealand
FNDC	Far North District Council
FNHL	Far North Holdings Limited
LTP	Long Term Plan
PGF	Provincial Growth Fund
SLT	Far North District Council's Strategic Leadership Team
SOI	Statement of Intent

Table of Contents

Purpose of Statement of Intent	1
Abbreviations	1
About Far North Holdings Limited (FNHL)	3
Nature and Scope of Activity	3
FNHL Strategic Direction	4
Decision for which prior Council approval is required	5
FNHL Objective	5
Work plan to deliver on Strategic Objectives.....	5
Financials	7
Operating Profit 3-year Forecast.....	7
Consolidated Shareholders' Funds and Total Assets	7
Accounting Policies.....	8
Reporting to Shareholders	8
Transactions with Far North District Council	8
Acquisition of Shares.....	8
Performance Outlook.....	8
Performance Targets	9
Board's Approach to Governance	10
Current Board Membership	10
Engagement with the Shareholder.....	11

About Far North Holdings Limited (FNHL)

As Council's commercial vehicle, FNHL facilitates and develops commercial and infrastructural assets, and business growth, in the Far North District. In doing so, it will:

- Operate under good governance
- Seek new business development opportunities
- Identify, collaborative or joint ventures opportunities
- Manage existing assets and bring commercial expertise in property management
- Create profits for its Shareholder and improve the Shareholder asset value.

FNHL leads the delivery of property and infrastructure assets in its ownership and under its management. These actions contribute to the development of the Far North District.

FNHL primary roles are:

- To plan, manage, operate and develop; land, maritime, aviation and public assets within its ownership, or under the terms of any management agreement entered into; and
- To plan, facilitate and secure commercial outcomes in its area of Influence that support the growth of the Far North District.

As a secondary role, FNHL may use its management skills and resources to assist both Council and third parties with consultancy services including project management, funding and business support/planning on a commercial basis.

Nature and Scope of Activity

FNHL currently owns and operates commercial and infrastructural assets in the maritime, aviation, primary and investment property sectors.

FNHL may:

- Elect to investigate and invest in any other commercial opportunities that may arise including any proposed by its Shareholder
- Carry out asset management, and may enter into management agreements for defined services on behalf of its Shareholder, or third party
- Divest any of the assets held, subject to any restrictions that may apply in specific cases (such as where the Council has the right of first refusal, council resolution or where the offer-back requirements of the Public Works Act apply).



FNHL will align itself with the Shareholder's broader strategic objectives by leveraging off these assets to undertake the following business activities (but not limited to) by

- Developing and enhancing a maritime economy
- Attract business and investment in the maritime economy
- Continue with the BOI Marina infrastructure and land-based development
- Ensure all maritime assets owned by FNHL are cost effectively maintained through asset management plans that appropriately balance care of asset with expenditure
- Seek funding sources to further develop or upgrade such maritime assets
- Developing and enhancing property in its ownership
- Maximise the investment in the BOI Airport and reviewing options for freight, extension to the existing runway and associated airside infrastructure
- Continue to pursue the development of the Ngawha Innovation & Enterprise Park

Where agreed with the Shareholder, enter into a management contract for commercial, strategic and non-strategic property assets in order to:

- Undertake acquisitions of strategic property on behalf of Council
- Undertake disposals or re-development of non-strategic land
- Negotiate third party leases where Council is the tenant
- Undertake management of commercial leases
- Evaluate any other properties, developments, businesses and investments as to their current and future potential.

FNHL Strategic Direction

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

At the time of preparation of this SOI FNHL has several projects seeking high level funding and approvals. For the moment, this SOI is based on known projects. FNHL will liaise with Council on the new projects and update the SOI reflecting any change.

FNHL is to be aware of and, where appropriate, seeks to align itself with FNDC's vision, mission and principles statement as outlined in the 2018/28 Long Term Plan (LTP) and related Annual Plans.

For community outcomes FNHL will be guided by the 2018/28 LTP and Council's Vision. "A District of sustainable prosperity and well-being", its mission "creating great places, supporting our people and its values".

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 the Council's vision or aspirations that FNHL needs to align with.



Decision for which prior Council approval is required

The following criteria are used to guide and demonstrate what types of decisions require Shareholder approval:

1. Decisions which will affect the CCO's ability to meet any statutory responsibility
2. Decisions which will impact on any intended service levels for a CCO activity (except if the impact is minor or has been agreed by the council through the SOI process)
3. Decisions which will commit the council to future provision of funding
4. Decisions which are not based on a "full arm's length" commercial basis requiring FNDC approval will to be shown in the accounts as such

FNHL Objective

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

Work plan to deliver on Strategic Objectives

The table below shows the key capital projects and initiatives we plan to undertake to deliver on our strategic objectives.

Key Project / Initiative	Description and Contribution to Strategic Objectives	Delivery objectives in 2020-23
Ngawha Innovation and Enterprise Park	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	To develop Stage 1 of the Innovation and Enterprise Park over the next 18 months.
Community Housing Development	To create community housing developments supporting Northland.	To develop a commercially viable, sustainable housing development.
Paihia Waterfront Development	\$8m of Provincial Growth Funding has been granted to build breakwaters that will protect waterfront infrastructure, including the town's wharf and main road, and utility services such as sewage and water.	Work with community and iwi to achieve a final design and begin implementation.
Pukenui Wharf	A new concrete wharf, pontoon and service jetty.	Project scheduled for completion in Nov 2021.
Te Ahurea	Rewa's Villgae Kerikeri – Whare Waka and Jetty/Pontoon	Project scheduled for completion in mid-2021.

Key Project / Initiative	Description and Contribution to Strategic Objectives	Delivery objectives in 2020-23
Unahi Wharf	Demolition of the existing timber wharf and replacement with a new concrete wharf, berthing piles and concrete pontoon.	Project scheduled for completion in Jan 2022.
Rangitoto / Windsor Landing	Construction of a new, sealed access road and carpark to provide public access to the existing boat ramp and jetty. Includes trailer and car parks, stormwater infrastructure and landscaping. This is the only FNDC-maintained public boat ramp on the south side of the Kerikeri Inlet and will support access to the nearby NRC mooring area.	Project scheduled for completion in mid-2021.
Rangitane Maritime Facilities	The Provincial Growth Fund has provided \$2.45m for the construction of a reclamation that will provide much-needed recreational boating access to the Bay of Islands.	Detailed design and Resource Consent in 2021 and if Resource Consent is granted, the objective is to complete this project in 2022.
Rangi Point Wharf	Construction of a new, 152m-long concrete wharf with pontoon. This will improve connectivity to the isolated Rangi Point community.	Project scheduled for completion in August 2021
Te Karaka Wharf	Additional structural piles, replacement timber deck and new concrete pontoon.	Project scheduled for completion in mid-2021
Motuti Pontoon	Installation of new plastic pontoons to enable better connectivity to the Motuti marae.	Project scheduled for completion in mid-2021
Mangungu Wharf	Additional structural piles, replacement deck and new concrete pontoon.	Project scheduled for completion in mid-2021

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

Financials

Operating Profit 3-year Forecast

Due to Covid-19 and the continued uncertainty of the economic impact, FNHL has been prudent with its forecasting. However, FNHL has forecast an operating profit before tax for the 2021/22 year to be \$1.91 million for the 2022/23 year \$2.80 million and for the 2023/24 year to be \$3.04 million.

Consolidated Shareholders' Funds and Total Assets

For the period from July 2021, the Company is forecasting growth in total assets and shareholder's funds, however minimal due to the uncertainty of the current economic outlook.

FNHL has adopted an accounting policy for the government grants received through the Provisional Growth Fund. The grants received are offset against the value of the asset and the grant income will be recognised through the profit and loss through the revaluation of the asset. This will be different to the accounting treatment FNDC will incorporate into the group accounts. Additional disclosures are required to meet the needs of the Shareholders reporting requirements.

Distribution Policy

Dividends

The Shareholder may require FNHL to pay a dividend of 50% of its after tax operating profit on 28th February in the following financial year. For the following years the company will endeavour to pay the following minimum amounts:

2021/22 financial year	\$955,000
2022/23 financial year	\$1,400,000
2023/24 financial year	\$1,520,000

FNHL may from time-to-time present commercial proposals to the Shareholder for an alternative use of the Shareholder's share of after-tax operating profit for its consideration.

Share Redemption

As the Ngawha Innovation and Enterprise park is being developed, the \$5m of redeemable shares are no longer redeemable and will be converted to ordinary shares.

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

Details of the accounting policies are set out in the notes to FNHL's annual financial statements at 30 June 2020 published on our company website. There is no material change in accounting policies envisaged over the period covered by this SOI.

Reporting to Shareholders

FNHL will provide quarterly reports to its Shareholder in November, February, May and an Annual Report in September. FNHL will provide a Statement of Financial Performance and a Statement of Financial Position. The Statement of Financial Performance will include previous year comparatives and budget. A report will provide an update on projects and explanations of significant variances.

Transactions with Far North District Council

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 Council's investment in FNHL as at 30 June 2020 was independently valued at \$108,113,000.

Performance Outlook

FNHL has an agreed set of performance measures and targets which form the basis for accountability to delivering on Council's strategic direction, priorities and targets. These are reported on a quarterly basis, in accordance with the CCO Governance Manual. These include measures agreed as part of the 2018/28 LTP.

Performance Targets

Objectives	Measure	SOI Target 2021/22	SOI Target 2022/23	SOI Target 2023/24
Engage in successful commercial transactions	Growth in Shareholder value	Shareholders' funds increase by \$955k, after payment of dividend	Shareholders' funds increase by \$1.4m after payment of dividend	Shareholders' funds increase by \$1.52m, after payment of dividend
Provide a commercial return to FNDC	Dividend return to FNDC	Pay minimum \$955k	Pay minimum \$1.4m	Pay minimum \$1.52m
Effective Financial Management	FNHL is to make profitable annual returns.	\$1.9m	\$2.8 million	\$3.04 million
Ratio of consolidated shareholder funds to total assets. Shareholder funds are defined as total equity.	The ratio is to exceed 50%	50%	50%	50%
To achieve a return on funds invested	Return on Investment (ROI) is higher than the average cost of borrowing on its commercial assets	ROI 7% AV cost of borrowings 4.5%	ROI 7% AV cost of borrowings 4.5%	ROI 7% Av cost of borrowings 4.5%
Effective Governance and Financial Control	Clean audit sign-off each year from Audit NZ Annual Board Review with appointed Audit NZ representative To remain within Banking covenants Board Audit and Finance committee meetings to be conducted semi-annually	To achieve To be held To achieve To be held	To achieve To be held To achieve To be held	To achieve To be held To achieve To be held
Ensure that the Bay of Islands Airport operates within regulatory requirements	CAA Certification	To achieve	To achieve	To achieve
Enhancing the Far North as a visitor destination	Complete a customer and airline industry survey that demonstrates satisfaction levels with facilities and services at either BOI or Kaitia Airports	85%	85%	85%
Enhancing and developing a maritime economy	Complete a marina user or maritime services customer satisfaction survey that demonstrates satisfaction levels with facilities and services available	95%	95%	95%

Board's Approach to Governance

Current Board Membership

- William Birnie CNZM (Chairman – term ends July 2021)
- Sarah Petersen (Chair Audit & Risk – Term ends 28 February 2021)
- Kevin Baxter (term ends January 2022)
- Hon Murray McCully CNZM (term ends 28 February 2021)

All new appointments will be in line with Council policy.

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
3. An active partnership approach with Maori, 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 Treaty of Waitangi
5. An open and transparent approach to decision-making with its Shareholder, while respecting the need for commercially sensitive information to be protected
6. Operate according to the best practice statements produced from time to time by the Institute of Directors in New Zealand (Incorporated)
7. That Council's vision and aspirations are considered and that FNHL is conscious that it needs to contribute to the overall financial performance of Council
8. FNHL is a good employer in accordance with the legislation guidelines set by Government.

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

- Prepare a 3-year SOI setting out its strategic goals and obtain the Shareholder's agreement to this statement
- Define its organisation structure and individual accountabilities by ensuring management have clearly defined job descriptions
- Set corporate budgets for earnings and cash flow
- Delegate both responsibility and authority to its Chief Executive
- To hold regular board meetings to monitor progress towards the Company's goals and objectives; and
- Prepare Quarterly and Annual Reports to its Shareholder as required and in accordance with current business plan.



Engagement with the Shareholder

To ensure the implementation of good governance within FNHL and within the Shareholder, both parties agree to maintain a high level of communication between each other.

The Chief Executives will use their best endeavours to communicate in a timely manner and ensure that matters are raised so there will be 'no surprises'.

FNHL's relationship with the governing body of Council will generally be for the purposes of developing strategic direction, agreeing statements of intent, service agreements and levels of funding, and performance monitoring and reporting.

The Board believes that regular communication with the Shareholder is essential to the good governance of the business and therefore FNHL will, in addition, seek to meet informally with FNDC as required by either FNHL or its Shareholder, to deal with any other matter of mutual interest.

Processes will be established for on-going and regular contact with senior management (SLT) to share information, provide a commercial dimension when required and to ensure alignment with Council's strategic direction.

FNHL will attend Iwi Forums, where invited, and attend Community Board meetings where appropriate or invited to if agenda items warrant their presence.

In addition, representatives from FNHL will attend Community Board meetings at least once a quarter to update them on current projects and plans that affect their ward, and will include regular communication with the relevant board when physical works are to commence in the ward.