



**Far North
Holdings Limited**

ANNUAL REPORT

2020/2021



FAR NORTH HOLDINGS LIMITED

ANNUAL REPORT 2021

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FAR NORTH HOLDINGS LIMITED
COMPANY DIRECTORY
AS AT 30 June 2021

Nature of Business	Property and infrastructural investment, management, development, operations and services
Registered Office	Unit 9b Baffin Street Opuā
Directors	William Birnie CNZM LLB (Chair) 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, Kerikeri, Kaitiāia and Kaikohe
Shareholders	Far North District Council
Share Capital	\$18,000,000



CHAIRMAN'S 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 2023 the Directors hereby report on the activities of the company for the 12 months from 1 July 2020 to the 30 June 2021. Following are FNHL's Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, and Statements of Cash Flows, for the year ended 30 June 2021.

This financial year has again been challenged by the effects of the Covid pandemic. The restrictions implemented throughout New Zealand have certainly impacted FNHL, nevertheless our resilience, diversity, solid performance, and strong financial management have lessened the impact on the company. This enabled the Company to provide rent relief to affected tenants.

The FNHL Board is pleased to confirm a trading profit of \$3.01m, being a 17% increase in profit from the previous year of \$2.57m. This was partly due to grants of \$1.86m received from The Kawakawa Hundertwasser Park Charitable Trust for the Te Hononga development accounted for as income. Total comprehensive income was \$11.26m (2020 \$5.66m). Total comprehensive income includes the revaluation of assets and investments with an increase of \$8.83m (2020 \$3.44m).

Shareholder's equity in the year increased to \$73.25m from \$62.41m in 2020. FNHL's overdraft and borrowings have reduced by \$146k whilst FNHL's assets increased by \$17.9m to \$136m. This was assisted by \$10.635m of PGF funding and the capital expenditure at Ngawha Innovation and Enterprise Park development.

The growth in asset value is also due to FNHL's acquisition of various properties. During the financial year FNHL purchased three properties bordering the Ngawha Innovation & Enterprise Park development and a property in Kamo, where FNHL is developing 18 community housing units.

FNHL has sold some land acquired for the creation of the Ngawha Innovation and Enterprise Park to Kaikohe Berryfruit Ltd. This company, led by Ngapuhi Asset Holding Company, aims to establish one of the larger soft berry fruit growing operations in the country, and delivering a substantial boost to employment opportunities on the outskirts of Kaikohe. FNHL has boosted its initial 19% shareholding in Kaikohe Berryfruit to 24% subsequent to balance date.

Ngawha Innovation and Enterprise Park continues to be a major focus for management and the Board. This is an important economic regeneration initiative designed to create social and economic opportunities for communities and businesses across the Mid-North. With five cornerstone tenants confirmed, the Provincial Development Unit have approved \$19.5m in funding to build infrastructure such as roads, sites, drainage and water storage.

The Bay of Islands Airport won an architecture award In August 2020. The judges commented that “the project took a very challenging brief that sought to strike a balance between immediate needs and the anticipation of future growth.” FNHL is proud that the recently developed airport continues to inspire and impress.

FNHL was privileged to provide project management services to FNDC on several maritime projects during the year. Government grants were successfully secured for Hokianga maritime upgrades, Unahi Wharf, Pukenui Wharf, Paihia Waterfront & Mangonui Waterfront Development, and work has now commenced on these facilities.

FNHL was also honored to be involved in the project management of Te Waiariki Ngawha Springs near Kaikohe which opened in April 2021. The project has delivered employment, economic, cultural and social outcomes and will support the growth of our District and enable the local community. The redevelopment of the Springs is also an opportunity to connect and highlight the cultural significance of nga waiariki through the four pou: wai Māori (purity – earth, water, natural), whakapapa (relationships – history, 11 tupuna, Ngapuhi genealogy), takauere (guardianship – kaitiakitanga, wairua) and Oranga (health – physical, spiritual and healing).

The Te Hononga building in Kawakawa was opened by the Prime Minister Jacinda Ardern in October 2020. This development was a successful community led, collaborative project working alongside Kawakawa Hundertwasser Park Charitable Trust, Ngati Hine and Far North District Council to provide an interpretive gallery, library, ātea, workshop, public toilets, showers, and freedom camping facilities.

Manea Footprints of Kupe, a cultural and educational centre which celebrates Kupe's voyage to the Hokianga and his journeys across Aotearoa was officially opened in December 2020. This project is a partnership with Te Hua o te Kawariki Trust, located opposite Opononi beach, against a backdrop of stunning sand dunes and sea.

Te Ahurea in the Kerikeri Basin officially opened just before Waitangi Day. As with Manea Footprints of Kupe, FNHL was grateful and privileged to have been able to play a role in facilitating this project. FNHL worked in partnership with Ngāti Rehia to deliver the project and was involved in project managing the design, consenting and construction of the wharekawa and boardwalk.

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 collective strategic objectives. The Council's support has enabled FNHL to grow and improve commercial facilities and infrastructure for the benefits of our community in the Far North. While the Covid pandemic persists, FNHL continues to manage the company's finances prudently to create profits and shareholder value for the Far North District Council.



Bill Birnie CNZM
CHAIRMAN

Dated: 30 November 2021

Independent Auditor's Report

To the readers of Far North Holding Limited's financial statements and performance information for the year ended 30 June 2021

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 statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 11 to 39, that comprise the statement of financial position as at 30 June 2021, 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 40 to 44.

In our opinion:

- the financial statements of the company on pages 11 to 39:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 statement of service performance of the company on pages 40 to 44 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 2021.

Our audit was completed on 30 November 2021. 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 statement of service performance, 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 statement of service performance 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 statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, 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 statement of service performance, 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 statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

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 statement of service performance, 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 statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance 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 1 to 4, 9 to 10, 45 and 46, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance 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 statement of service performance, 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 statement of service performance 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: *International 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.

A handwritten signature in black ink, appearing to read 'D Walker', with a stylized flourish at the end.

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 2021

The Board of Directors present their annual report including the financial statements of the Company for the year ended 30 June 2021 and the independent auditor's report thereon.

Approved for and on behalf of the Board of Directors.



Director



Director

30 November 2021

Date

FAR NORTH HOLDINGS LIMITED
STATEMENT OF COMPLIANCE
FOR THE YEAR ENDED 30 June 2021

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 2021

	Note	2021 \$	2020 \$
Revenue from contracts with customers	4	14,097,587	14,455,510
Other Income	5	1,871,775	844,559
		<u>15,969,362</u>	<u>15,300,069</u>
Employee benefits expenses	6	3,711,400	3,210,374
Depreciation and Amortisation expenses	8	850,118	816,347
Other expenses	7	7,202,301	7,091,229
Operating profit before net financing costs		<u>4,205,543</u>	<u>4,182,119</u>
Finance income		26,267	8,998
Finance expenses		1,220,183	1,618,079
Net finance costs	9	<u>1,193,916</u>	<u>1,609,081</u>
Profit prior to movements in Investment Properties, share of associate and other non operating movements		3,011,627	2,573,038
Share of post-tax profits/(losses) of equity accounted associates	14	(2,217)	-
Impairment of Goodwill	13	-	(100,000)
Devaluation of biological assets	17	(419,410)	(800,170)
Fair value gain on acquisition	12	-	2,018,615
Revaluation of Investment Property	12	6,709,429	2,849,929
Profit/(loss) before income tax		9,299,429	6,541,412
Income tax expense	10	(75,665)	(452,422)
Profit/(loss) for the period		<u>9,223,764</u>	<u>6,088,990</u>
Other comprehensive income items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment	11	2,532,996	(522,236)
Revaluation/(Devaluation) of equity investments	15	3,052	(10,382)
Tax on items that will not be reclassified to profit or loss	10	(503,215)	100,006
Other comprehensive income for the year, net of tax		<u>2,032,833</u>	<u>(432,612)</u>
Total comprehensive income for the year		<u>11,256,597</u>	<u>5,656,378</u>

FAR NORTH HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 June 2021

	Share Capital	Property Revaluation Reserve	Equity Investment Reserve	Building & Maintenance Reserves	Capital Reserve	Retained Earnings	Total Equity
	\$	\$		\$	\$	\$	\$
Balance at 1 July 2019	18,000,000	7,968,817	(148,742)	172,167	71,804	31,788,788	57,852,835
Profit for the year	-	-	-	-	-	6,088,990	6,088,990
Other comprehensive income for the year							-
Revaluation of property, plant and equipment	-	(422,230)	(10,382)	-	-	-	(432,612)
Total comprehensive income for the year	-	(422,230)	(10,382)	-	-	6,088,990	5,656,378
Transfers	-	-		135,610	-	(135,610)	-
Transactions with owners of the Company in their capacity as owners							
Additional share capital			-				-
Dividends paid	-	-	-	-	-	(1,097,000)	(1,097,000)
Total transactions with owners of the company	-	-	-	-	-	(1,097,000)	(1,097,000)
Balance at 30 June 2020	18,000,000	7,546,587	(159,124)	307,777	71,804	36,645,168	62,412,212
Balance at 1 July 2020	18,000,000	7,546,587	(159,124)	307,777	71,804	36,645,168	62,412,212
Profit for the year	-	-	-	-	-	9,223,764	9,223,764
Other comprehensive income for the year							-
Revaluation of property, plant and equipment	-	2,029,781	3,052	-	-	-	2,032,833
Total comprehensive income for the year	-	2,029,781	3,052	-	-	9,223,764	11,256,597
Transfers	-	-	-	232,114	-	(232,114)	-
Transactions with owners of the Company in their capacity as owners							
Additional share capital			-				-
Dividends paid	-	-	-	-	-	(422,795)	(422,795)
Total transactions with owners of the company	-	-	-	-	-	(422,795)	(422,795)
Balance at 30 June 2021	18,000,000	9,576,368	(156,072)	539,891	71,804	45,214,022	73,246,014

FAR NORTH HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2021

	Note	2021 \$	2020 \$
EQUITY AND LIABILITIES			
EQUITY			
Share capital	20	18,000,000	18,000,000
Reserves	21	10,031,991	7,767,045
Retained earnings		45,214,022	36,645,167
Total Equity		<u>73,246,014</u>	<u>62,412,212</u>
LIABILITIES			
Non - Current Liabilities			
Interest-bearing loans and borrowings	22	37,124,992	37,178,172
Income in advance	25	10,227,914	9,960,774
Deferred tax liability	10	3,428,132	2,849,252
Total Non - Current Liabilities		<u>50,781,038</u>	<u>49,988,198</u>
Current Liabilities			
Trade and other payables	24	5,804,394	3,207,787
Employee benefits	23	246,477	258,025
Interest-bearing loans and borrowings	22	1,671,240	1,764,360
Income in advance	25	695,836	277,694
Government Grants not yet spent		3,642,644	263,667
Total Current Liabilities		<u>12,060,591</u>	<u>5,771,533</u>
Total Liabilities		<u>62,841,629</u>	<u>55,759,731</u>
Total Equity and Liabilities		<u><u>136,087,643</u></u>	<u><u>118,171,943</u></u>

FAR NORTH HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Non - Current Assets			
Property, plant and equipment	11	25,413,261	26,666,493
Investment property	12	100,409,919	85,474,560
Biological assets	17	1,184,150	1,603,560
Intangible assets	13	100,000	100,000
Investments in equity accounted associates	14	1,232,203	-
Total Non - Current Assets		128,339,533	113,844,613
Current Assets			
Inventories	16	1,690,653	1,582,439
Properties intended for sale	26	1,558,678	-
Other investments	15	573,768	570,716
Trade and other receivables and prepayments	18	3,837,729	2,142,344
Cash and cash equivalents	19	87,282	31,831
Total Current Assets		7,748,110	4,327,330
Total Assets		136,087,643	118,171,943

Approved for and on behalf of the Board of Directors



Director

30 November 2021

Date



Director

30 November 2021

Date

FAR NORTH HOLDINGS LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 June 2021

	Note	2021	2020
		\$	\$
Cash flows from operating activities			
Cash receipts from customers		15,218,126	14,062,241
Cash paid to suppliers and employees		(8,097,821)	(11,337,724)
GST received/(paid)		(539,354)	425,619
Interest received		26,267	8,937
Interest paid		(1,057,605)	(1,618,503)
Income tax received/(paid)		(201,708)	(200,000)
Net cash inflow/(outflow) from operating activities		5,347,905	1,340,570
 Cash flows from investing activities			
Purchase of property, plant and equipment and investment property, and biological assets		(4,381,700)	(5,635,354)
(Purchase)/sale of investments		(1,232,203)	(38,925)
Proceeds from sale of property, plant and equipment and investment property		890,544	4,004,765
Net cash inflow/(outflow) from investing activities		(4,723,359)	(1,669,514)
 Cash flows from financing activities			
Loan advance/(repayment)		(146,300)	4,015,894
Shares issued		-	-
Dividends paid		(422,795)	(1,097,000)
Net cash inflow/(outflow) from financing activities		(569,095)	2,918,894
 Net increase/(decrease) in cash and cash equivalents		55,451	2,589,950
Cash and cash equivalents at beginning of year		31,831	(2,558,119)
Cash and cash equivalents at end of year	19	87,282	31,831

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

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 comprise the results of the Company for the year ended 30 June 2021.

2. BASIS OF PREPARATION

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

The financial statements have been prepared on a going concern basis. This is supported by:

- FNHL has the potential to defer capital expenditure, should it be required
- Continued support from FNHL's banking partners
- FNHL is expected to be solvent and able to meet cashflow obligations whilst remaining within banking covenants

The accounting policies have been applied consistently throughout the period.

(a) Statement of compliance

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

The Company is a Tier 2 For-profit entity and has elected to report in accordance with Tier 2 For-profit Accounting Standards as issued by the New Zealand External Reporting Board (XRB). The Company is eligible to report in accordance with Tier 2 For-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR the company has applied a number of disclosure concessions.

(b) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Company's functional presentation currency, rounded to the nearest dollar.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value.

- Investment Property
- Land and Buildings, wharves and runways.
- Financial instruments - fair value through other comprehensive income

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements

The company makes certain estimates regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment useful lives and residual values

At each balance date the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Statement of Profit or Loss and Other Comprehensive Income, and carrying amount of the asset in the Statement of Financial Position. The Company minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programmes;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

Fair value measurement

A number of assets and liabilities in the Company's financial statements require measurement at, and/or disclosure of fair value. The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

Level 1: Quoted prices in an active market for identical items

Level 2: Observable direct or indirect inputs other than level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The Company measures a number of items at fair value - revalued property, plant and equipment, investment property, equity investments, and biological assets. For more detailed information on the fair value measurement of these items please refer to the applicable notes.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

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 2021

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.

(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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

(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 years
- Plant, fittings and office equipment - 3-20 years
- Wharves - 33 years
- Ramps and moorings - 33 years
- Motor vehicles, boat transporters - 5-15 years
- Runways, including all airport infrastructure / civil works assets - 25 years
- Leasehold improvements - 29 years

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate. (see note 11).

(h) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of a business is presented with intangible assets.

(ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

(v) Amortisation

Except for goodwill and intangible assets that have indefinite lives or are not yet available for use, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Computer software 3 years

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

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(j) Associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Company's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income.

Profits and losses arising on transactions between the Company and its associate are recognised only to the extent of unrelated investors' interest in the associate.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value with due allowance for any damaged and obsolete stock items. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of items transferred from biological assets is their fair value less point-of-sale costs at the date of transfer.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Biological assets

Biological assets are measured at fair value less point-of-sale costs, with any changes therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. Agricultural produce from biological assets are transferred to inventory at its fair value, by reference to market prices for honey, less estimated point-of-sale costs at the date of harvest.

(m) Share capital

The Company has ordinary shares and convertible non participating redeemable shares. Refer note 20 for details.

(n) Properties intended for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, and the sale is highly probable, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, the company's intangible assets and property, plant and equipment are no longer amortised or depreciated.

(o) Financial Instruments

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

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

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial Instruments (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 and impairment losses (see note 3 (q)). These comprise of cash and cash equivalents, trade and other receivables and short term loans.

Fair value through Other Comprehensive Income

Equity investments are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition they are measured at fair value, with all gains and losses recognised in other comprehensive income. Changes to fair value are not subsequently recycled to profit and loss. Dividends are recognised in profit or loss.

(p) Financial liabilities

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

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

The Company classifies financial liabilities into the amortised cost category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(q) Impairment

(i) Financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021
3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment (continued)

(ii) Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(iii) Non-financial assets

The carrying amounts of the Company's property, plant and equipment held at cost and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income in advance

Income in advance represents rental income received for future periods calculated on a straight line basis over the term of the lease. Car parks and marina berths lease income is spread to 2033 or 2049 if an extension has been granted.

(s) Government Grants

Government Grants received for assets have been deducted in arriving at the carrying amount of the assets. 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 carrying amount of the asset.

(t) Covid-19 Considerations

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

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

4. REVENUE FROM CONTRACTS WITH CUSTOMERS		2021	2020
		\$	\$
Goods sold		1,963,430	2,657,440
Services		7,630,351	7,964,487
Commission		63,191	27,196
Rental income		4,440,615	3,806,387
		<u>14,097,587</u>	<u>14,455,510</u>
5. OTHER INCOME		2021	2020
		\$	\$
Government Wage Subsidy		-	359,880
Non-Government Grants received		1,865,108	-
Gain on sale of investment property		-	484,679
Depreciation recovered		6,667	-
		<u>1,871,775</u>	<u>844,559</u>
6. EMPLOYEE BENEFIT EXPENSES		2021	2020
		\$	\$
Salaries and wages		3,593,822	3,101,157
Contributions to Kiwisaver		96,844	81,396
Increase/(decrease) in employee benefit liabilities		20,735	27,822
Total employee benefit expenses		<u>3,711,400</u>	<u>3,210,374</u>
7. OTHER EXPENSES		2021	2020
		\$	\$
Fees to principal Auditor			
Audit fees for current year		79,919	78,284
Directors' compensation:			
Directors fees		129,631	152,610
Donations		78,792	57,400
Inventories		1,594,232	1,517,904
Impairment of receivables		185,012	26,665
Loss on disposal of property, plant and equipment		28,304	-
Minimum lease payments under operating leases		60,318	56,525
Direct expenses from investment property generating income		1,276,785	1,169,464
Other operating expenses		3,769,308	4,032,377
Total other expenses		<u>7,202,301</u>	<u>7,091,229</u>
8. DEPRECIATION AND AMORTISATION		2021	2020
	Note	\$	\$
Depreciation property, plant & equipment	11	850,118	816,347
Total depreciation		<u>850,118</u>	<u>816,347</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

9. NET FINANCE COSTS

<i>Recognised in profit or loss:</i>	2021	2020
	\$	\$
Finance Income		
Interest income on loans and receivables	26,267	8,998
Finance Expense		
Interest expenses on financial liabilities measured at amortised cost (including finance leases)	1,220,183	1,618,079
Net Finance Costs	<u>1,193,916</u>	<u>1,609,081</u>

10. INCOME TAX

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

Income tax recognised in profit or loss:	2021	2020
	\$	\$
Current tax	-	142,987
Deferred tax expense	75,665	309,435
Total income tax expense	<u>75,665</u>	<u>452,422</u>
Income tax recognised in other comprehensive income:	<u>503,215</u>	<u>(100,006)</u>
Aggregate current and deferred tax relating to items in other comprehensive income	503,215	(100,006)

b) Reconciliation of income tax expense

Profit / (loss) before income tax expense	9,299,429	6,541,412
Tax expense at 28%	2,603,840	1,831,595
Permanent differences	(470,544)	(158,062)
Deferred tax adjustment	(2,057,631)	(1,221,111)
Group loss offset	-	-
Tax expense	<u>75,665</u>	<u>452,422</u>

c) Deferred tax

	2021	2020
	\$	\$
Balance at the beginning of the year	2,849,252	2,639,823
Current year movement	578,880	209,429
Deferred tax asset/(liability)	<u>3,428,132</u>	<u>2,849,252</u>

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

10. INCOME TAX (continued)

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

	2021	2020
	\$	\$
Property, plant and equipment other	642,242	487,997
Property, plant and equipment buildings	245,966	206,887
Investment property	2,714,375	2,265,225
Biological assets	(47,169)	(24,273)
Employee benefits	(58,930)	(53,124)
Other items	(68,352)	(33,460)
	<u>3,428,132</u>	<u>2,849,252</u>

FAR NORTH HOLDINGS LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 June 2021

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 30 June 2019	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 June 2020	Recognised in Profit or loss	Recognised in other comprehensive income	Balance at 30 June 2021
	\$	\$	\$	\$	\$	\$	\$
Property, plant and equipment other	542,035	45,968	(100,006)	487,997	(348,970)	503,215	642,242
Property, plant and equipment buildings	614,982	(408,095)	-	206,887	39,079	-	245,966
Investment property	1,478,954	786,271	-	2,265,225	449,150	-	2,714,375
Biological assets	77,920	(102,193)	-	(24,273)	(22,896)	-	(47,169)
Employee benefits	(45,335)	(7,789)	-	(53,124)	(5,806)	-	(58,930)
Other items	(28,734)	(4,726)	-	(33,460)	(34,892)	-	(68,352)
	<u>2,639,822</u>	<u>309,436</u>	<u>(100,006)</u>	<u>2,849,252</u>	<u>75,665</u>	<u>503,215</u>	<u>3,428,132</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 2021
11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Runways	Wharves	Ramps & moorings	Plant, fittings and office furniture	Motor vehicles, boat transporters	Leasehold improvements	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or Valuation										
Balance at 1 July 2020	11,300,793	8,314,865	3,010,357	1,960,999	76,264	2,859,612	1,581,663	128,797	27,208	29,260,558
Additions		879,184			11,000	197,128	85,297	35,126	97,792	1,305,527
Disposals	(260,000)	(220,000)				(704)	(27,600)			(508,304)
Reclassified to investment property	(2,960,000)	(780,000)								(3,740,000)
Revaluations	735,800	907,556	266,510	200,284						2,110,150
Balance at 30 June 2021	8,816,593	9,101,605	3,276,867	2,161,283	87,264	3,056,036	1,639,360	163,923	125,000	28,427,931
Accumulated depreciation and impairment										
Balance at 1 July 2020					22,496	1,955,638	590,272	25,659	-	2,594,065
Disposals		(6,667)							-	(6,667)
Depreciation		243,008	120,414	59,424	2,411	259,638	159,724	5,499	-	850,118
Elimination on revaluation		(243,008)	(120,414)	(59,424)					-	(422,846)
Balance at 30 June 2021	-	(6,667)	-	-	24,907	2,215,276	749,996	31,158	-	3,014,670
Net book value										
At 30 June 2020	11,300,793	8,314,865	3,010,357	1,960,999	53,768	903,974	991,391	103,138	27,208	26,666,493
At 30 June 2021	8,816,593	9,108,272	3,276,867	2,161,283	62,357	840,760	889,364	132,765	125,000	25,413,261

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 of land, buildings, runways and wharves were performed by Brad Sworn, ANZIV of the firm Telfer Young (Northland) Limited, and the valuation is effective at 30 June 2021.

FAR NORTH HOLDINGS LIMITED
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Security

At 30 June 2021, certain land and buildings, with a carrying amount of \$66,602,000 (2020: \$60,782,000) 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

	2021	2020
	\$	\$
Balance at 1 July	85,474,561	79,152,239
Acquisitions	6,455,151	4,950,864
Disposals	(410,544)	(3,497,086)
Transfer to properties intended for sale	(1,558,678)	-
Reclassification from property plant & equipment	3,740,000	-
Fair value gain on acquisition	-	2,018,615
Change in fair value	6,709,429	2,849,929
Balance at 30 June	<u>100,409,919</u>	<u>85,474,561</u>

Investment property comprises a number of commercial properties that are leased to third parties. The leases all have variable terms. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The most recent valuation was performed by Brad Sworn, ANZIV of the firm Telfer Young (Northland) Limited, and the valuation is effective at 30 June 2021. The prior valuation was completed 30 June 2020. Valuations are completed every year for all investment properties.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

13. INTANGIBLE ASSETS

<i>Cost</i>	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2020	301,287	179,959	481,246
Additions	-	-	-
Balance at 30 June 2021	301,287	179,959	481,246
<i>Accumulated amortisation and impairment</i>	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2020	201,287	179,959	381,246
Amortisation charge for the year	-	-	-
Impairment losses	-	-	-
Balance at 30 June 2021	201,287	179,959	381,246
Net book value			
At 30 June 2020	100,000	-	100,000
At 30 June 2021	100,000	-	100,000

14. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The following entities have been included in the financial statements using the equity method:

	Country of incorporation and place of business	Proportion of ownership interest held as at 30 June	
		2021	2020
Kaikohe Berryfruit GP Limited	New Zealand	19%	0%
Far North Skincare Limited	New Zealand	50%	50%

The Directors of the Company consider it has the power to exercise significant influence over the Associate Kaikohe Berryfruit GP Limited even though it only owns 19% of the shares. This is because of the position it holds on the Board of Directors.

The joint venture Far North Skincare Limited is not trading and is in the process of being wound up.

15. OTHER INVESTMENTS

	2021	2020
	\$	\$
Current investments		
Shares Fonterra	573,768	570,716
Total other investments	573,768	570,716
Shares Fonterra		
Opening value	570,716	542,173
Additions	-	38,925
Change in fair value	3,052	(10,382)
Closing value	573,768	570,716

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

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

16. INVENTORIES

	2021	2020
	\$	\$
Honey	1,625,774	1,537,459
Fuel	51,321	32,657
Chandlery and boatyard	13,558	12,323
Total inventories	<u>1,690,653</u>	<u>1,582,439</u>

Some chandlery and boatyard inventories are subject to retention of title clauses.

17. BIOLOGICAL ASSETS

	2021	2020
	\$	\$
Balance at beginning of Year	1,603,560	2,403,730
Purchases	-	-
Increase/(Decrease) in fair value of queens and hives	(419,410)	(800,170)
Balance at end of Year	<u>1,184,150</u>	<u>1,603,560</u>

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

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021	2020
	\$	\$
Far North District Council	276,076	611,347
Trade and other receivables	3,325,780	1,445,206
Tax receivable	145,025	-
Prepayments	90,848	85,791
Total trade and other receivables and prepayments	<u>3,837,729</u>	<u>2,142,344</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:

	2021	2020
	\$	\$
Balance at 1 July	44,500	26,000
Receivables written off during the year	(85,997)	(8,165)
Additional provisions made during the year	185,012	26,665
Balance at 30 June	<u>143,515</u>	<u>44,500</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.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

19. CASH AND CASH EQUIVALENTS

	2021	2020
	\$	\$
Cash at Bank and in hand	87,282	31,831
Bank overdrafts	-	-
Total cash and cash equivalents and bank overdrafts for the purpose of the statement of cash flows	87,282	31,831

Bank overdraft facilities are provided by the Bank and secured by the first charge debenture. The interest rate on the bank overdraft was 4.07% (2020: 8.83%). The maximum overdraft facility available to the Company was \$2,000,000 (2020: \$1,000,000).

Interest rates applying to bank balances was 0.0% (2020: 0.0%). Bank balances are on call.

20. EQUITY

	2021	2020
	\$	\$
Ordinary shares - fully paid	7,000,000	7,000,000
Redeemable shares - fully paid	11,000,000	11,000,000
Total share capital	18,000,000	18,000,000

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.

21. RESERVES

	2021	2020
	\$	\$
Balances		
Asset Revaluation Reserve	9,576,368	7,546,587
Equity Investment Reserve	(156,072)	(159,124)
Maintenance Reserve - Opuia Marina	448,365	228,721
Maintenance Reserve - Opuia Wharf	73,126	62,956
MAF Building Reserve	18,400	16,100
Capital Reserve	71,804	71,804
	10,031,991	7,767,045
Movements		
Asset Revaluation Reserve		
Opening Balance	7,546,587	7,968,817
Revaluation - Fixed and Intangible Assets	2,532,996	(522,236)
Transfer on disposal/reclassification	-	-
Less Deferred Tax	(503,215)	100,006
Closing Balance	9,576,368	7,546,587

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

21. RESERVES (Continued)

	2021 \$	2020 \$
Equity Investment Reserve		
Opening Balance	(159,124)	(148,742)
Devaluation Fonterra shares	3,052	(10,382)
Closing Balance	<u>(156,072)</u>	<u>(159,124)</u>
Maintenance Reserve Opua Marina		
Opening Balance	228,721	3,395
Transferred from/(to) retained earnings	219,644	225,326
Closing Balance	<u>448,365</u>	<u>228,721</u>
Maintenance Reserve Opua Wharf		
Opening Balance	62,956	154,972
Transferred from/(to) retained earnings	10,170	(92,016)
Closing Balance	<u>73,126</u>	<u>62,956</u>
MAF Building Reserve		
Opening Balance	16,100	13,800
Transferred from retained earnings	2,300	2,300
Closing Balance	<u>18,400</u>	<u>16,100</u>
Capital Reserve		
Opening Balance	71,804	71,804
Closing Balance	<u>71,804</u>	<u>71,804</u>

22. INTEREST-BEARING LOANS AND BORROWINGS

	2021 \$	2020 \$
Secured Bank Loans		
Current	1,671,240	1,764,360
Non-current	37,124,992	37,178,172
Total interest-bearing loans & borrowings	<u>38,796,232</u>	<u>38,942,532</u>

The terms and conditions of outstanding loans are as follows:

In New Zealand Dollars	Nominal Interest rate	Year of Maturity	2021		2020	
			Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	2.71%	2021-2022	1,671,240	1,671,240	1,764,360	1,764,360
Secured bank loan	2.72%	2022-2023	34,225,000	34,225,000	34,225,000	34,225,000
Secured bank loan	3.92%	2022-2024	2,899,992	2,899,992	2,953,172	2,953,172
Total interest-bearing liabilities			<u>38,796,232</u>	<u>38,796,232</u>	<u>38,942,532</u>	<u>38,942,532</u>

The bank loans are secured over certain land and buildings with a carrying amount of \$66,602,000 (2020: \$60,782,000) and a general security agreement over all company assets.

Interest rates on the loans at 30 June 2021 varied from 2.71% to 3.92% (2020 3.36% to 3.92%).

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

23. EMPLOYEE BENEFITS	2021	2020
	\$	\$
Salaries payable	36,014	68,298
Liability for annual leave - current	210,463	189,728
Total employee benefits	<u>246,477</u>	<u>258,025</u>

24. TRADE AND OTHER PAYABLES	2021	2020
	\$	\$
Shareholder advances	486,820	97,857
Taxation payable	-	56,695
Trade and other payables	5,317,574	3,053,235
	<u>5,804,394</u>	<u>3,207,787</u>

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

25. INCOME IN ADVANCE	2021	2020
	\$	\$
Non current portion		
Income received in Advance - long term	10,227,914	9,960,774
Total non current portion	<u>10,227,914</u>	<u>9,960,774</u>
Current portion		
Income received in Advance - current	434,013	54,022
Marina Stage 2 Berth Sales	261,823	223,672
Total current portion	<u>695,836</u>	<u>277,694</u>
Total Income in Advance	<u>10,923,750</u>	<u>10,238,468</u>

26. PROPERTIES INTENDED FOR SALE

FNHL has two properties \$1,558,678 (2020 - \$0) that have sale and purchase agreements in place at 30 June 2021. One property is the sale of Manea Footprints of Kupe development to Te Hua o te Kawariki Trust, completed October 2021. And the other property is a small part of the Ngawha Innovation and Enterprise Park for the Matawii Reservoir and subject to subdivision.

27. 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.

Key management personnel

Total key management personnel being the Chief Executive and General Management compensation for the year ended 30 June 2021 was \$681,820 (2020: \$462,961). Directors fees for the year were \$129,631 (2020: \$152,609).

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021
27. RELATED PARTIES (Continued)

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 (2020: nil) and there have been no write-offs of related party balances during the year (2020: nil).

Mr R Blackman was a director at the beginning of the financial year and rented a berth in the marina and used the boatyard facility to the value of \$7,251 (2020: \$2,892). Birnie Capital Ltd is a company associated with the Chairman William Birnie. Birnie Capital Ltd purchased fuel to the value of \$0 (2020: \$5,477)

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

Inter-group transactions and balances	2021	2020
	\$	\$
Receivables from Far North District Council (excluding agency transactions)	192,645	611,347
Sales to Far North District Council	319,924	438,962
Purchases from Far North District Council	430,262	396,134
Payables to Far North District Council	3,414	97,857

During the year the Company also carried out capital works on behalf of Far North District Council to the value of \$2,101,267 (2020: \$1,450,146).

28. OPERATING LEASES	2021	2020
	\$	\$
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	88,347	20,824
Between one and five years	207,603	1
More than five years	-	-
	<u>295,950</u>	<u>20,825</u>

During the year ended 30 June 2021, \$60,318 was recognised as an expense in profit or loss in respect of operating leases (2020: \$52,976).

	2021	2020
	\$	\$
Non-cancellable operating leases as lessor		
Not later than one year old	2,041,077	2,018,283
Later than one and not later than five	4,993,657	4,230,478
Later than five years	7,897,669	4,666,750
Total Non-cancellable operating leases	<u>14,932,403</u>	<u>10,915,510</u>

29. COMMITMENTS

During the year the Company entered into new contracts for BOI boatyard slipway and washdown pad, Windsor landing, Hokianga Wharves, Rewa's village, Kamo Road earthworks & building, Ngawha Innovation Park earthworks, wastewater and roading totalling \$18.399m (2020: \$4,162m). At 30 June 2021 \$10.445 million (2020: \$2.486m) remained to be paid on contracts.

FAR NORTH HOLDINGS LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2021

30. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to reporting date the Company's investment in Kaikohe Berryfruit GP Limited increased to 24%.

New Zealand moved to alert level 4 on 18 August 2021 after the Delta variant was identified in the community. Although Northland moved swiftly through the levels, there continues to be an impact to tourism due to the inability for people to travel freely from or through locked down Auckland.

The Company has provided rent relief to effected tenants and is expecting reduced income from tourism related aspects of the business such as cruise ships, airports and carparking. However, the Company forecasts to remain in a strong financial position and does not expect significant effects to overall profit.

FNHL entered into \$12.85m of contracts for developments on the Ngawha Innovation and Enterprise Park and at the Bay of Islands airport. FNHL have also entered into \$6.2m of contracts in relation to FNDC maritime assets.

31. CONTINGENT ASSETS AND LIABILITIES

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

32. GOVERNMENT GRANTS RECEIVED

The Company received \$15.359 million in 2021 (2020: \$7.042 million) in grants from Far North District Council and the Ministry of Business, Innovation and Employment. This amount has been deducted from the carrying amount of the assets.

Government grants received in 2021 were for the following projects:

	2021	2020
	\$	\$
Far North Wharves	1,500,000	-
Hokianga Maritime Upgrades	1,796,000	-
Mangonui Waterfront	175,000	-
Ngawha Innovation & Enterprise Park	10,630,000	1,217,000
Opuha Wharf	-	890,000
Paihia Waterfront	800,000	-
Paihia Wharf	10,900	3,202,100
Russell Wharf	-	232,634
Te Hononga Kawakawa	446,800	1,500,000
	<u>15,358,700</u>	<u>7,041,734</u>

FAR NORTH HOLDINGS LIMITED

STATEMENT OF SERVICE PERFORMANCE

For the Year Ended 30 June 2021

Far North Holdings Limited (the “Company”) was originally established by the Far North District Council (“Council”) as a Local Authority Trading Enterprise (LATE) pursuant to Part XXXIVA of the Local Government Act 1974 (the “Act”). The Company is now a Council Controlled Trading Organisation (CCTO) under the Local Government Act 2002.

The Council’s Long-Term Plan for 2018-28 provides general guidance on the strategic direction of the Company in the following areas as per the following extracts:

Far North Holdings Limited (FNHL) is a Council Controlled Trading Organisation (CCTO) that manages assets and commercial trading on behalf of Council. Council maintains a shareholding in FNHL, which manages a diverse range of district assets to boost investment and employment for the benefit of our communities. Council’s return on its investment in FNHL is by way of annual dividends.

Key activities

- The provision of maritime, airport, property and car parking facilities
- The management of maritime and aviation assets under contract to Council
- Investment in any commercial opportunity that arises including any proposed by its shareholder

Objectives

As the Far North District Council’s commercial vehicle, FNHL will facilitate and create commercial and infrastructural assets in the Far North District with the aim of maximising profit for its shareholder – Council, and operate as a commercial profit orientated entity.

3 Year work plan to deliver on Strategic Objectives

The table below shows the key capital projects and initiatives we plan to undertake in the 2018-21 SOI period to deliver on our strategic objectives. (Updated with status as at 30 June 2021).

Key Project / Initiative	Description	Contribution to Strategic Objectives	Project status at 30 June 2021
Te Pu o Te Wheke	Assist with the proposed development and project management of Te Pu o Te Wheke	To establish a multi-use, leading edge community, cultural and tourism hub to revive Kaikohe's main centre	Ongoing
Te Hononga, Kawakawa	To provide a new interpretive Gallery co-governed by Ngati Hine / Hundertwasser Trust, relocate the FNDC library, and provide new workshops for local artists and business to use.	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.	Te Hononga Hundertwasser Memorial Park was opened 9th October 2020 by the Hon Prime Minister Jacinda Ardern
Manea Opononi	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.	Official opening was held on December 9 th , 2020.

Bay of Islands Airport	Maximise the investment in the BOI Airport, including reviewing options for freight, the runway and associated airside infrastructure.	Reflecting the investment made by Air NZ in the apron / taxiway to accommodate larger aircraft, and more frequent flights and the PGF's investment in the new terminal additional infrastructure is needed to accommodate business growth e.g. car hire etc	New terminal opened in 2019 and there is ongoing investment in developments at the airport.
Ngawha Innovation and Enterprise Park	204ha Dairy Farm.	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	Five cornerstone occupants in Stage One of the park's development will invest an additional \$40m to establish themselves there, creating about 150 new jobs and equipping about 100 people a year with high-value, transferrable skills. These include Kaikohe Berryfruit Limited and Kerikeri-based Olivado.
Te Waiariki Ngawha Springs	FNHL is project managing the redevelopment and enhancement of the Te Waiariki Ngawha Springs hot pool complex located near Kaikohe.	Te Waiariki has the potential to further build the Mid-North's total visitor market and provide employment for up to 30 people, while delivering benefits to the local community through enhancing an important local landmark	Opened 23 rd April 2021

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

Performance measures as per SOI for period 2020-2021

Financial performance results

Performance Objective

Engage in successful commercial transactions

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Growth in shareholders' value	Shareholder funds increase by \$330,000 after payment of dividend	Shareholder funds increase by \$10.9 million after payment of dividend	Achieved \$2.61 million	Achieved \$9.5 million	Achieved \$1.12 million
Narrative Includes revaluations of assets that received Provincial Growth Funding for capital improvements					

Performance Objective

Provide a commercial return to FNDC

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Dividend returned to FNDC	Pay a minimum dividend of \$180,000	Achieved. Proposed dividend of \$412,747	Achieved \$843,810	Achieved \$1,097,000	Not Achieved \$422,795
Narrative Due to the economic impacts of Covid-19, although operational profit has been lower than previous years the company is still profitable and able to continue paying dividends to FNDC.					

Performance Objective

Effective financial management

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Annual operating profit after tax to exceed \$500,000	\$360,000	After tax operating profit of \$1,146,519	Achieved \$1,369,949	Achieved \$2,070,239	Achieved \$1,131,167
Narrative Due to Covid-19 impacts FNHL did not expect to meet the \$500,000 measure. However, domestic tourism prospered and FNHL achieved higher than budgeted operating profits.					

Performance Objective

Asset growth and development

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Capital Expenditure	No target set for 2020/2021	Achieved \$21 million	Achieved \$9million	Achieved \$19million	Achieved \$14.5million
Narrative This performance measure is not included in the SOI, however we have elected to disclose it due to the capital expenditure relating to the Provincial Growth Funds received.					

Performance Objective

Ratio of consolidated shareholder funds to total assets

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
The ratio is to exceed 50%	50%	53.9%	Achieved	Achieved	Achieved
Narrative Shareholder funds are defined as total equity.					

Performance Objective

To achieve a return on funds invested

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Return on investment is higher than the average cost of borrowing on its commercial assets	ROI 7% Average cost of borrowings 4.85%	ROI 8.9% Average cost of borrowings 2.81%	Achieved ROI 8.63% ACoB 4.53%	Achieved ROI 12% ACoB 4.38%	Achieved ROI 9.7% ACoB 3.54%
Narrative Average cost of borrowings is decreasing as interest rates fall. This is expected to increase over the next 12 months. The high return on investment is due to a revaluation of assets that have received Provincial Growth Funds. <i>Note ROI calculation excludes non-commercial assets</i>					

Performance Objective

Effective governance and financial control

Measure	Target 2020/2021	Actual 2020/2021	2018/2019	2019/2020
Clean audit sign-off each year from Audit NZ	To achieve	Achieved	Achieved	Achieved
Annual Board review with appointed Audit NZ representative	To be held	Not undertaken	Not undertaken	Not undertaken
To remain within banking covenants	To achieve	Achieved	Achieved	Achieved
Quarterly audit and review by BDO	To perform	Achieved	Achieved	Achieved
Board Audit and Finance committee meetings to be conducted semi-annually	To be held	23-Sept-20 22-Jan-21 18-May-21	25-Feb-19	30-Mar-20

Council Controlled Organisation Initiatives

Performance Objective

Ensure that the Bay of Islands Airport operates within regulatory requirements

Measure	Target 2020/2021	Actual 2020/2021	2018/2019	2019/2020
CAA Certificate	To achieve	Achieved	Achieved	Achieved

Non-Financial performance results

Performance Objective

Enhancing the Far North as a visitor destination

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Each year complete at least one customer and airline industry survey that demonstrates satisfaction levels with facilities and services at either Kerikeri or Kaitia Airports	85%	Not undertaken	Not achieved	Not achieved	Not achieved
Narrative					
No customer and airline industry survey was performed due to Covid-19 interrupted flights and services.					

Performance Objective

Enhancing and development a maritime economy

Measure	Target 2020/2021	Actual 2020/2021	2017/18	2018/19	2019/20
Each year complete at least one marina user or maritime services customer survey that demonstrates satisfaction levels with facilities and services available.	95%	Not achieved 70%	95%	Winner of best international Marina South Pacific	98%
Narrative					
Only 4 surveys were received online, which is not enough to reflect the overall satisfaction levels with facilities and services available. Next year the marina and boatyard staff will encourage more customers to complete a user friendly, more accessible survey as in prior years					

FAR NORTH HOLDINGS LIMITED

SHAREHOLDERS INFORMATION

For the Year Ended 30 June 2021

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	2021	2020
R Blackman	\$806	\$25,555
W Birnie	\$51,723	\$50,847
K Baxter	\$25,595	\$25,555
M McCully	\$25,763	\$25,327
S Petersen	\$25,763	\$25,327

3. Employees' remuneration

Number of staff with salaries and benefits in excess of \$100,000:	2021	2020
\$100,000 – \$149,999	5	3
\$150,000 – \$199,999	1	
\$200,000 – \$249,999		
\$250,000 – \$299,999		
\$300,000 – \$349,999		1
\$350,000 – \$399,999	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 \$6,187 (2020 \$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 2021

The Company made other cash donations to:

The Company made other cash donations to:	2021 Amount excl GST	2020 Amount excl GST
Autism New Zealand	\$50.00	\$50.00
Caring Families Aotearoa	\$150.00	\$0
FNDC - Contribution to America's Cup Fanzone	\$180.00	\$0
Fostering Kids	\$0	\$50.00
Going Bananas Kids Show	\$0	\$130.43
He Whanau Marama Charitable Trust – Kaitaia	\$0	\$300.00
Heart Kids	\$60.00	\$0
NZ Marine Export Group Inc. Millennium Cup	\$3,500.00	\$2,500.00
Paihia Sea Scouts	\$0	\$115.75
Paihia Volunteer Fire brigade	\$200.00	\$0
Police Managers Guild Trust	\$260.87	\$200.00
R Tucker Thompson Sailing Trust	\$21,000.00	\$0
Russell Radio	\$376.00	\$38.00
Sail South Pacific Ltd	\$0	\$2,500.00
Te Runanga o Taumarere Ki Rakaumangamanga	\$40,995.92	\$40,604.68
The Company made "in kind" donations to	2021 Amount excl GST	2020 Amount excl GST
All Comers Fleet - haul out voucher	\$0	\$364.32
Love Opuā	\$1,128.00	\$0
Musket Cove Regatta	\$0	\$301.20
Opuā Cruising Club & Annual Membership Prize	\$368.90	\$538.89
Russell Fire Brigade	\$1,049.65	\$0
Vavau Regatta, Haul out voucher	\$0	\$1,283.46