



**Far North
Holdings Limited**

Statement of Intent
2023 to 2025



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Introduction

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

This Statement of Intent (SOI) is prepared to meet the requirements of Section 64 and Schedule 8 of the LGA.

It outlines the activities and intentions of FNHL, and its subsidiaries, and the objective to which those activities will contribute, upholding the Shareholder's values to act in a socially and environmentally responsible manner. Performance targets and measures are specified, along with the Company's policies relating to governance and other matters.

The SOI is reviewed annually following consultation with Far North District Council (FNDC).

Purpose of Statement of Intent

This Statement of Intent (SOI) is presented by FNHL in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes Shareholder (FNDC) comments into consideration and represents the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI relates to the period from 1 July 2022 to 30 June 2025.

About Far North Holdings Limited (FNHL)

FNHL was formed in the late 1990's with the amalgamation of several local Council trading entities that collectively owned maritime, aviation and commercial property assets. It was established as a for-profit, commercial trading company to manage and develop the commercial assets of FNDC.

We are proud to have delivered a number of significant developments and infrastructure projects for the Far North, and to be responsible for strategic community assets including the Bay of Islands Marina development and the associated marine precinct & boatyard facilities, the Bay of Islands Airport and aviation cluster, Opuā, Paihia, Waitangi & Russell wharves and surrounding commercial properties. We continue to invest in these properties for the benefit of current and future generations, which has seen the value of our assets rise from \$49 million to \$136 million over the last ten years.

By leveraging our assets and experience we are able to increase capital and investment put into our district, thereby creating employment locally for our community and generating strong sustainable business outcomes, supporting the Council's Vision for "A District of sustainable prosperity and well-being". Over the past five years, FNHL has been granted funding from Kānoa – Regional Economic Development & Investment Unit of \$46.5m to undertake regional infrastructure projects, many of which protect key assets from climate change impacts and catalyse economic opportunities in the Far North.



These projects have ranged from wharf, pontoon and boat ramp upgrades throughout the Far North to the Bay of Islands Airport upgrade, and provision of project management services to numerous other local organisations to deliver their community Kānoa – Regional Economic Development & Investment Unit funded projects. Together with FNDC, we continue to work on major projects supported by the Kānoa – Regional Economic Development & Investment Unit, including development underway at the Ngawha Innovation & Enterprise Park (the Park) to stimulate economic activity.

The Park represents the most significant development project undertaken by FNHL in recent years. The Park seeks to promote value added manufacturing and processing of our primary sector to help catalyse businesses and support a shift away from seasonal lower paid tourism and external horticultural harvesting work towards full time, higher value employment. FNHL are excited to have partnered with Ngāpuhi Asset Holdings to develop 10ha for covered berry production on the Park that will generate year round employment, and look forward to welcoming our other high quality cornerstone tenants to the Park including government agencies who will develop education, skills-based training and business incubation services. We are optimistic about the opportunities that the Park will create to attract and grow new business and employment opportunities locally within a circular economy which positively impacts our environment.

Following approval by FNDC, FNHL has established two wholly owned subsidiaries, Far North Housing Limited and Bay of Islands Marina Limited, both of which will become fully operational during this SOI term. Far North Housing aims to actively identify and develop opportunities to deliver residential housing to address the needs in our communities, in a socially and commercially responsible manner. Bay of Islands Marina will own and manage the Bay of Islands Marina assets, and oversee marine infrastructure and assets owned by FNHL in the Bay of Islands region.

For the last ten years, FNHL has supported the Far North by developing and managing property, maritime and aviation assets to have a positive impact in our community and future generations and operating profitably to provide dividends of over \$6.2 million for FNDC, helping to reduce the rates burden for FNDC ratepayers.

Nature and Scope of Activity

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

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



Decisions for which prior FNDC approval is required

The Company will seek approval from the Shareholder:

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

In addition, the Company will:

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

Economic Conditions and the Impact of COVID

FNHL continues to feel the impact of COVID-19 as a result of our exposure to the tourism and hospitality sector, and we expect this to be ongoing for the period of this SOI. Our forecasts assume tourism may take up to five years to recover to 2019 levels experienced prior to COVID, however we acknowledge this may take longer.

FNHL provided targeted rental relief to tenants during the initial COVID lock-down in March 2020, and this has continued during subsequent Auckland and regional lockdowns, and local border closures. While these concessions have a direct financial impact on profitability, these measures were approved by the Board to support our business community and economic well-being and contribute towards regional economic recovery by helping business reduce cashflows and continue trading during difficult times.

While regional economic performance has been more positive than expected post-COVID, we expect future trading conditions to become more challenging during the term of this SOI. Projected rising inflation, interest rate increases, general supply chain disruptions and reducing government support to a struggling hospitality and tourism sector are likely to make business conditions more difficult. While our diverse asset and revenue portfolio provide some financial resilience in tough financial times, we expect the next few years will require careful financial and



risk management, while continuing concessions to some tenants. Accordingly, our projections reflect this outlook.

Strategic Direction

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

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

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

FNHL aims to grow asset values to \$200 million within 5 years, and to generate increasing profitability to return to FNDC and the community. We will achieve this, having regard to the interests of our communities and stakeholders, by actively managing our commercial property, infrastructure and maritime assets for future generations and delivering residential housing to address the needs in our communities.

Objectives

As FNDC's commercial vehicle, FNHL will grow the value of shareholder funds, the return to FNDC over time and actively manage, develop and maintain regional infrastructure and assets and contribute to the four aspects of well-being in the communities in which we operate. We will achieve these objectives by undertaking the following actions:

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



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

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



Performance Measures

In its quarterly report, the Company will record its performance relating to its goals and objectives, which will be reviewed annually.

Strategic Focus	Objectives	Performance Target		
		2022 / 23	2023 / 24	2024 / 25
Financial "Achieve sustainable commercial returns"	Create value for ratepayers by increasing shareholder funds	Grow shareholder funds by \$5 million	Grow shareholder funds by \$10 million	Grow shareholder funds by \$5 million
	Ratio of consolidated shareholder funds (defined as total equity) to total assets.	Must exceed 50%	Must exceed 50%	Must exceed 50%
	Effective financial management to deliver profitability	Operating profit > \$500,000	Operating profit > \$1.0 million	Operating profit > \$2.0 million
	Return profit to FNDC by way of dividend, in line with dividend policy	Dividend payable > \$250,000	Dividend payable > \$500,000	Dividend payable > \$1.0 million
	Regular risk assessments undertaken and reported to FNDC, identifying key organisational risks and mitigants	6 monthly report submitted	6 monthly report submitted	6 monthly report submitted
	Comply with banking covenants	Achieved	Achieved	Achieved
People "Be a good employer"	To make safety our priority to ensure health, safety and wellbeing of all employees and contractors in the Group	Establish key metrics and implement quarterly reporting to FNDC	Health & Safety improvement plan in place, and being actioned	Health & Safety improvement plan in place, and being actioned
	Comply with our living wage policy for all permanent employees	Achieved	Achieved	Achieved
	Directors to make an effective contribution to the Board, with conduct in accordance with generally accepted standard	Board self - evaluation and report to FNDC	External Board effectiveness review	Board self - evaluation and report to FNDC

Far North Holdings Limited Statement of Intent 2023 to 2025



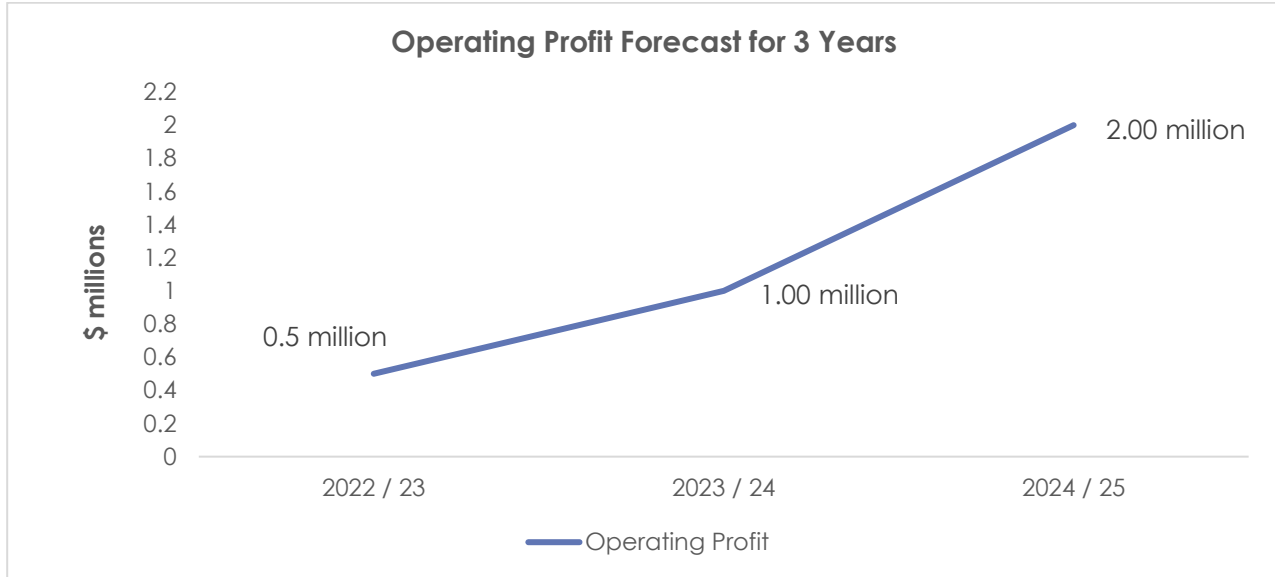
	Objectives	Performance Target		
		2022 / 23	2023 / 24	2024 / 25
Sustainability <i>“Undertake sustainable investment and management for the benefit of future generations”</i>	Commit to tangible action to measure climate impact and target reductions based on best practice	Prepare a sustainability Roadmap identifying ways to minimise climate impact	Baseline measures to quantify and measure climate impact	Baseline measures reported, with climate impact improvement plan in place
	Ngawha Innovation & Enterprise Park to achieve best practice environmental standards	Greenstar Rating achieved	Environmental outcome measures defined as a baseline and reporting commences	Annual report of environmental measures against baseline
	Achieve and maintain Clean Marina certification	Achieved	Achieved	Achieved
	Meet or exceed all environmental obligations required under resource consents issued to the company, and address any notices received from environmental regulators promptly or within specified timeframes	Achieved	Achieved	Achieved
Community <i>“Create economic & housing opportunities, with improving engagement and communication”</i>	Encourage positive relationships with the community by having transparent engagement policies and monitoring key stakeholder perceptions	Significance & Engagement Policy in place	Stakeholder perceptions survey	Stakeholder perceptions survey
	Ngawha Innovation & Enterprise Park developed to grow economic and employment opportunities in the Far North	Open Stage 1	5 businesses based at the Park	8 businesses based at the Park
	Encourage positive and meaningful relationships with Māori by supporting project delivery or building long-term relationships if suitable opportunities or commercial ventures arise	2 + projects / relationships	3 + projects / relationships	5 + projects / relationships
	Identify opportunities to deliver social housing to meet local needs in partnership with Community Housing Providers (CHP's)	Analysis of 2 social housing opportunities	Deliver 50 housing units	Deliver 75 housing units
	Civil Aviation Authority Certification maintained for the BOI Airport to support regional tourism and business visitors	Achieved	Achieved	Achieved



Financials

Operating Profit 3-year Forecast

Profitability forecasts for the next three years are lower than previously expected due to ongoing Covid-19 impacts, supply chain disruption and the current phase of our development pipeline which means costs are incurred prior to revenue streams commencing. Profitability will grow in years two and three as tourism and hospitality sectors recover, Stage 1 of the Park opens with cornerstone tenants, and social housing revenues commence.



Consolidated Shareholders' Funds and Total Assets

For the year ended 30th June 2021, consolidated shareholders' funds, as a ratio to total assets was 53.8%. The Company's Annual Report shows equity was \$73.25 million and total assets were \$136.09 million.

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

The Directors will review the appropriateness of this target ratio annually.

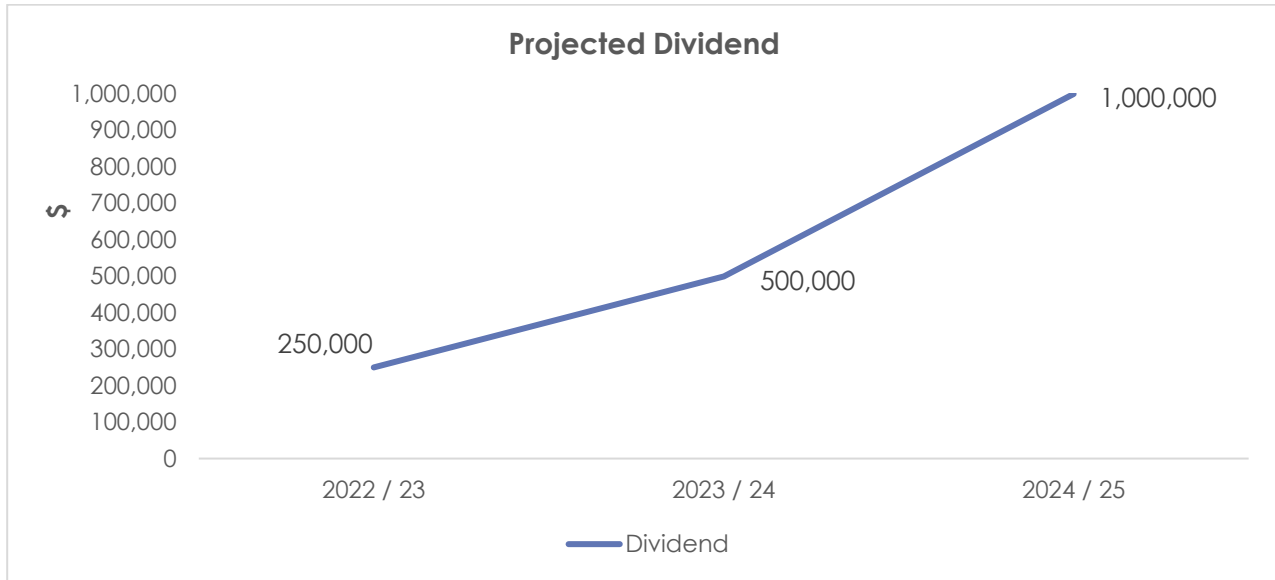
Dividend Policy

Dividends

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



For the following years the company will endeavour to pay the following minimum dividends, however we acknowledge the importance of this income stream to FNDC to mitigate increased costs to ratepayers, especially in the 2023 and 2024 financial years. Accordingly, the company will proactively seek to maximise dividend returns to FNDC to exceed the minimum commitments.



Accounting Policies

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

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

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

Significant accounting policies are included at Appendix 1.

Reporting to Shareholders

FNHL will provide quarterly reports to its Shareholder in November, February, May, and an Annual Report in September, including a Statement of Financial Performance and Statement of Financial Position, including prior year comparatives and commentary of performance against budget.

Starting in November 2022, we will also provide quarterly Health & Safety Reports, six monthly Risk Management Reports and a Sustainability roadmap for the period ending 30 June 2023 and annually thereafter.



Transactions with FNDC

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

Acquisition of Shares

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

Commercial Value of Shareholder's Investment

The Directors estimate the commercial value of the shareholders' investment to be no less than the shareholders' funds.

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

Shareholder Funds in the Annual Report as at 30 June 2021 stood at \$73.246 million.

Board's Approach to Governance

Current Board Membership

- William Birnie CNZM (Chairman - term ends July 2023)
- Sarah Petersen (Chair Audit & Risk – term ends 28 February 2024)
- Hon Murray McCully CNZM (term ends 28 February 2024)
- Kevin Drinkwater (term ends 30 June 2025)
- Nicole Anderson (term ends 30 June 2025)

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

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

1. Sound business practice in its commercial undertakings, operating as an efficient and effective business
2. Ethical and good behaviour in dealing with all parties
3. An active partnership approach with Maori, and all other people in business throughout the Far North, promoting effective communication where appropriate
4. To comply with all relevant legislative requirements including those relating to the principles of the Treaty of Waitangi



5. In the spirit of “no surprises”, keep the Shareholder informed on significant events and issues, including those sensitive to publicity that may arise from FNDC being a political organisation
6. Operate according to the best practice statements produced from time to time by the Institute of Directors in New Zealand
7. That Council's vision and aspirations are considered whilst conscious that FNHL needs to contribute to the overall financial performance of FNDC
8. FNHL is a good employer in accordance with the legislation guidelines set by Government.

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

- Define its organisation structure and individual accountabilities by ensuring management have clearly defined job descriptions
- Set corporate budgets, and regularly monitor performance against these
- Delegate both responsibility and authority to its Chief Executive
- Hold regular board meetings to monitor progress towards the Company's goals and objectives, and manage risks
- Act in accordance with the Constitution and SOI

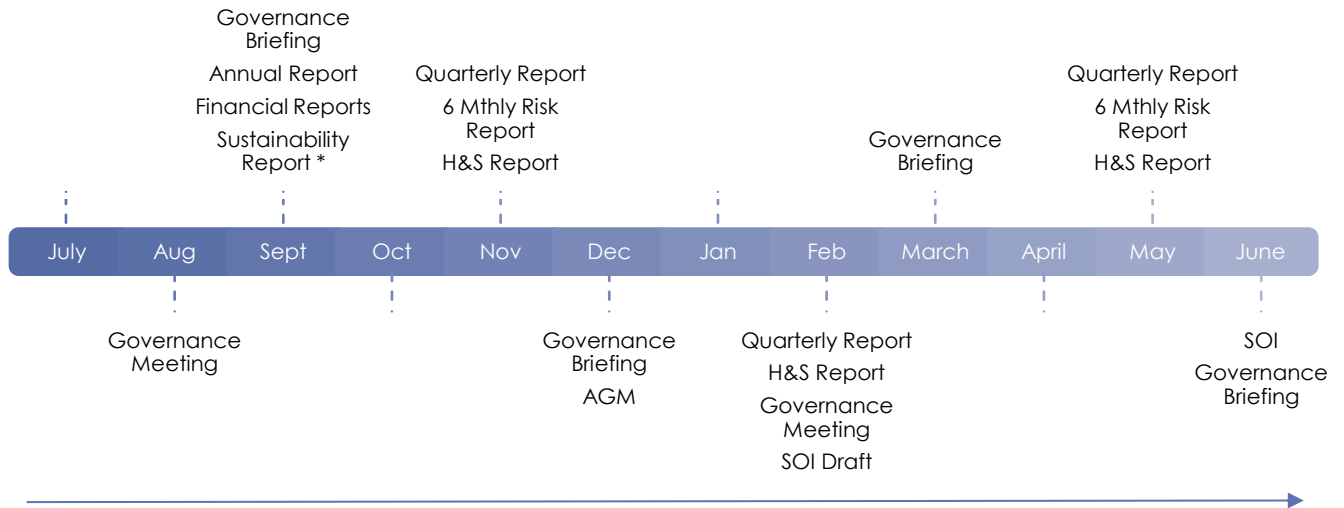
Engagement with the Shareholder

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

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



Table 1: Communication & Reporting



Regular and ongoing operational engagement, as required, and timely responses to matters raised

* Sustainability Reporting annually from September 2023

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

FNHL will attend Iwi Forums, where invited, and is available to attend Community or FNDC sessions where appropriate, or invited, should agenda items require our presence.

Commitment of the Shareholder

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

The Shareholder is expected to:

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



APPENDIX 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Goods Sold

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

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

(ii) Services

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

(iii) Commissions

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

(iv) Rental income

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

(b) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings.

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

(c) Tax

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



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

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

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

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

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short Term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date. The Company recognises a liability and an expense for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.



e) Lease payments

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

(f) Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(g) Property, plant and equipment

(i) Recognition and measurement

Land, runways, wharves and buildings are measured at fair value, less accumulated depreciation (except for land) and accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any revaluation surplus arising on the revaluation of an asset is credited to other comprehensive income and shown in the asset revaluation reserve in the Statement of Financial Position. A revaluation deficit in excess of the asset revaluation reserve balance for an asset is recognised in the profit or loss in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the profit or loss are recognised in the profit or loss.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Any revaluation surplus on disposal of an item of property, plant and equipment is recognised in retained earnings.



(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value, and for runways wharves and buildings is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land is not depreciated. Assets under construction are not subject to depreciation.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

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

(h) Intangible assets

(i) Goodwill

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

(ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(iii) Other intangible assets

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



(iv) Subsequent expenditure

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

(v) Amortisation

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

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

Computer software 3 years

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

(i) Investment property

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

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

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

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

(j) Associates

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

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



(k) Inventories

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

(l) Biological assets

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

(m) Share capital

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

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.

(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.

(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 dependent 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.