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# Statement of Intent

for the year ended 30 June 2026

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## Introduction

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

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

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

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

## Purpose of Statement of Intent

This SOI is presented by FNHL in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes the Shareholder's comments into consideration and states the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI is for the period from 1 July 2025 to 30 June 2028.

## Nature and Scope of Activity

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

1. Contribute to the sustainable prosperity and well-being of the Far North through astute commercial management and development of assets and infrastructure.
2. Plan, facilitate and secure commercial outcomes and investment in its area of influence that support economic growth of the Far North District (the District) for the betterment of the District, in a socially, culturally and environmentally responsible way.
3. Maximise dividend returns to the Shareholder and improve the Shareholder's asset value.

FNHL will also act in accordance with FNDC's Climate Action policy adopted 11<sup>th</sup> December 2023.

## Strategic Direction

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

We consider FNHL to be an enabler of FNDC's Vision for the Far North "He Whenua Rangatira - A District of sustainable prosperity and well-being", and our strategic direction reflects this and the Mission of "He Ara Tāmata - creating great places, supporting our people". In setting our strategy, where appropriate, we also seek to align with FNDC's 2024-27 three Year 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. FNHL will integrate Te Pae o Uta framework into its business practices.

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 actively manage the existing portfolio to generate increasing profitability and grow asset values ensuring increased returns to FNDC and the community over time. We will achieve this by increasing the focus of our resources in developments across Northland that provide higher commercial returns in the sectors that match our expertise and proven track record, such as housing and commercial property development. We will continue to actively develop and strengthen key stakeholder relationships, in accordance with FNHL's Significance and Engagement Policy, with central and local government, tangata whenua, our communities and other stakeholders.

Over the forecast period FNHL remains committed to continuing to deliver a diverse range of projects across Tai Tokerau and to continue work on the development pipeline to deliver to the above.

## Objectives

As FNDC's commercial vehicle, FNHL will grow its profitability providing increased returns to FNDC over time while actively managing, developing and maintaining regional infrastructure and assets. We will contribute to the four aspects of well-being in the communities in which we operate (economic, social, environmental and cultural).

We will achieve these objectives by:

1. Undertaking development projects in priority sectors for the region:
  - a. Providing high quality community housing developments;
  - b. Developing commercial property at scale; and
  - c. Undertaking commercial joint ventures in growth sectors of the Northland economy.
2. Holding assets that generate income and offer potential for growth in the future:
  - a. Actively managing marine assets and wharf infrastructure, including supporting growth of the Bay of Islands Marina and the associated marine economy; and
  - b. Continuing to develop Ngawha Park to provide employment and skills-based training opportunities for our District and seek to attract value-added manufacturing and processing businesses that will generate further employment opportunities.
3. Owning and managing strategic assets effectively and efficiently in a way that is financially, socially, culturally and environmentally sustainable.
4. Ensuring the best use of the resources at our disposal:
  - a. Optimising returns on assets employed and goods and services provided; and
  - b. In all our activities, seeking to address climate change and mitigate any environmental impacts.

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

## Decisions for Which Prior FNDC Approval is Required

The Company will seek approval from the Shareholder:

- Before entering any arrangements that provide commercial or infrastructural assets outside of the District;
- For decisions which will affect the Council Controlled Trading Organisation's (CCTO's) ability to meet any statutory responsibility;



- For any decisions which will significantly impact on any agreed service levels for a CCTO activity delivered to FNDC;
- For any decisions which will commit FNDC to future provision of funding;
- For any decisions which are not based on a “full arm’s length” commercial basis requiring FNDC approval to be shown in the accounts as such;
- Prior to divestment of any assets agreed by FNHL and FNDC as strategic regional assets as listed below:
  - Bay of Islands Airport;
  - Paihia Car Park and ex-Countdown Property;
  - Ngawha Innovation & Enterprise Park;
  - Carpark adjoining Ministry of Education site, Kaitaia;
  - Wharves and Ramp Infrastructure at Russell, Opuia, Mangonui and Paihia;
  - Te Hononga and ātea; or
  - Prior to divestment of those assets where FNDC retain the first right to acquire upon disposal by FNHL.

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

In addition, the Company will:

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



## Group Performance Measures

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

	Objective	Group Performance Target		
		2025 / 26	2026 / 27	2027 / 28
<b>Financial</b> <i>“Increased, sustainable commercial returns”</i>	Effective financial management to deliver profitability	Operating profit <sup>1</sup> > \$2.5 million	Operating profit <sup>1</sup> > \$2.5 million	Operating profit <sup>1</sup> > \$2.5 million
	Pay dividends to FNDC in line with dividend policy	Dividend paid of \$5 million, consisting of an ordinary dividend from operating profits and a special dividend	A minimum paid of \$1.25 million, with any additional amounts agreed based on the development pipeline	A minimum paid of \$1.25 million, with any additional amounts agreed based on the development pipeline
	Comply with LGFA financial covenants	Meet financial covenants	Meet financial covenants	Meet financial covenants
<b>People</b> <i>“Be a good employer”</i>	To make safety our priority to ensure health, safety and wellbeing of all employees and contractors in the Group	Health Safety & Wellbeing policies in place and recorded evidence that all staff have received and been briefed on the documentation	Health Safety & Wellbeing Objectives and identified target areas being actioned	Health Safety & Wellbeing Objectives and identified target areas being actioned
	Comply with our living wage policy for all permanent employees	Achieved	Achieved	Achieved

<sup>1</sup> Defined as “profit before other non-operating movements” in the Consolidated Statement of Financial Performance and distributions received from Associates.

Far North Holdings Limited Statement of Intent



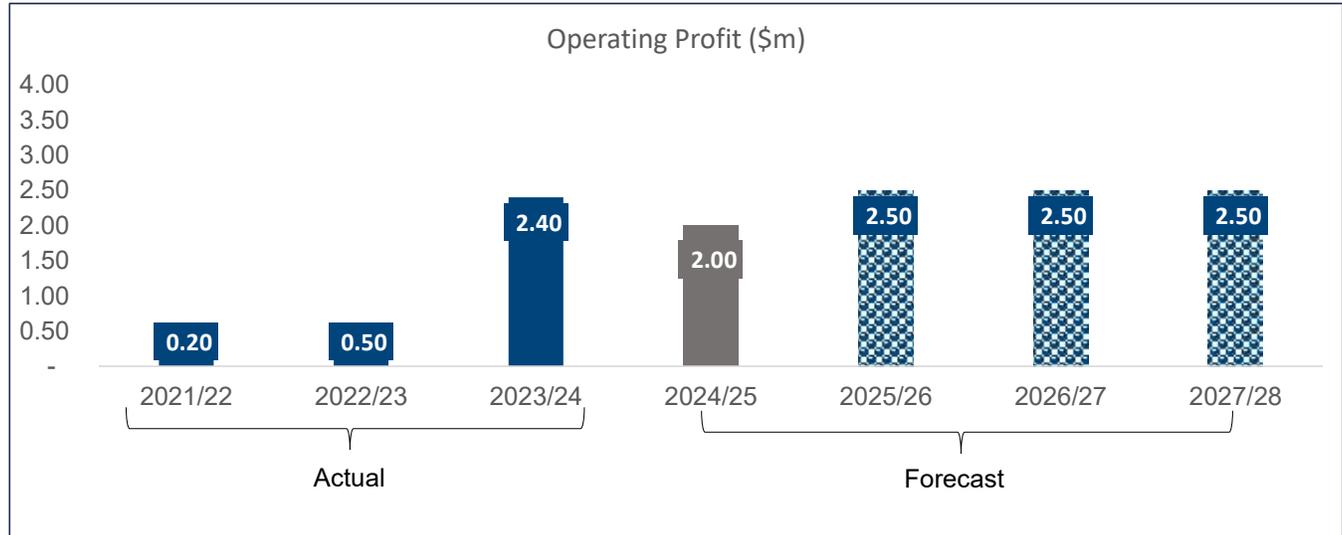
	Objectives	Group Performance Target		
		2025 / 26	2026 / 27	2026 / 27
<b>Environmental</b> <i>“Undertake environmentally sustainable investment and management for the benefit of future generations”</i>	Commit to tangible action to measure climate impact and target reductions based on best practice	Measure carbon footprint for the Ngawha Park in line with generally accepted standards	Measure carbon footprint across the wider business in line with generally accepted standards and prepare an emissions reduction plan	Progress emissions reduction plan
	Achieve and maintain Clean Marina certification	Achieved	Achieved	Achieved
<b>Community</b> <i>“Create economic &amp; housing opportunities, benefiting the wellbeing of the community”</i>	Encourage positive relationships with the community by having transparent engagement policies and monitoring key stakeholder perceptions	Undertake a stakeholder perceptions survey	Undertake a stakeholder perceptions survey	Undertake a stakeholder perceptions survey
	Ngawha Park developed to grow economic and employment opportunities in the Far North	Increase the number of businesses based at the park	Increase the number of businesses based at the park	Increase the number of businesses based at the park
	Identify opportunities to deliver social housing to meet local needs in partnership with Community Housing Providers (CHP's)	Develop > 50 housing units	Develop > 50 housing units	Develop > 50 housing units
	Civil Aviation Authority Certification maintained for the BOI Airport	Achieved	Achieved	Achieved
<b>Shared Projects</b>	Kaitaia Airport			
	Provide project management services to deliver agreed remediation project within time and budget	Achieved	N/A	N/A
	Execute a long-term management contract with FNDC prior to 30 June 2026	Achieved	N/A	N/A
	Kaikohe Library			
	Provide project management services and achieve agreed deliverables within time and budget	Achieved	N/A	N/A



## Financials

### Operating Profit 3-year Forecast

The Company is committed to delivering on its purpose and providing growth in profitability over the forecast period. The forecasts below reflect delivery of existing approved development projects. The Company will work with Council and other stakeholders to progress a development pipeline that will deliver returns in excess of the operating profit forecasts below.



### Consolidated Shareholder’s Funds and Total Assets

For the year ended 30<sup>th</sup> June 2024, consolidated Shareholder’s Funds, as a ratio to total assets<sup>1</sup> was 50.3%. The Company’s Annual Report shows equity was \$97.72 million and total assets were \$194.15 million.

The ratio of consolidated Shareholder’s Funds to total assets is not expected to reduce below 45% for the period covered by this SOI.

The Directors review the appropriateness of this target ratio annually, or as required due to material changes in business operations.

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

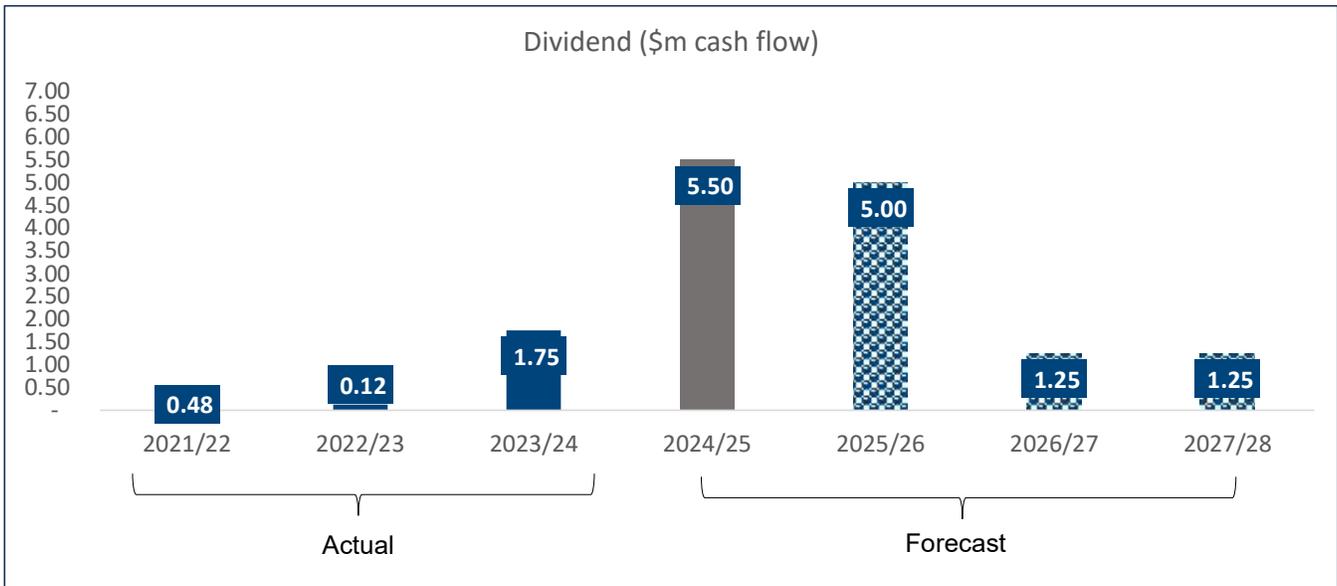


## Dividend Policy

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

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

Accordingly, the company will proactively seek to maximise dividend returns to FNDC to exceed the minimum dividend commitments. The company will actively look to consider opportunities for dividends exceeding that based on operating profits, after taking into account the appropriate capital structure, realised development margins and asset sales, future investment and working capital requirements. Dividends payable to the shareholder will be determined by the Board after consideration of the company’s funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.





## Accounting Policies

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

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

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

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

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

## Board’s Approach to Governance

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

## Current Board Membership

- Hon Murray McCully CNZM (Chair - term ends 30 September 2026)
- Sarah Petersen (Chair Audit & Risk - term ends 30 September 2026)
- Kevin Drinkwater (term ends 1 December 2025)
- Nicole Anderson (term ends 1 December 2025)
- Jane Frances (term ends 30 October 2026)

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

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



9. The Board will undertake a biennial board skills assessment to inform succession planning and alignment with current and future strategic goals; and
10. Periodically undertake an independent review of board performance for Far North Holdings Ltd and its subsidiaries on a biennial basis.

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

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

## Reporting and Engagement with Shareholder

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

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

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



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



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

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

## Transactions with FNDC

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

## Acquisition of Shares

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

## Commercial Value of Shareholder’s Investment

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

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

Shareholder Funds in the Annual Report as at 30 June 2024 stood at \$97.72 million.



## Commitment of the Shareholder

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

The Shareholder is expected to:

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