



Far North Holdings Limited

Third Quarter Report 2021/2022



1 July 2021 to 31 March 2022



Far North Holdings Limited

Third Quarter Report

For the 9 months ended 31 March 2022

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 2024 the Directors hereby report on the activities of the company for the 6 months from 1 July 2021 to the 31 March 2022.

FNHL's Statement of Financial Position at 31 March 2022 and Statement of Financial Performance for the 9 months to 31 March 2022 are attached.

FNHL's financial performance is below budget as expected given the impacts of the global pandemic on New Zealand's economy, and our tenants. Despite this, FNHL continues to operate within its banking covenants with interest cover at 3.38 (minimum ratio of 1.5) and equity/asset ratio favourable at 51.9% (permissible ratio of 50%).

As Covid continues to hinder tourism in Northland, the company continues to provide rent relief to the effected tenants and continues to forecast reduced income from its tourism and hospitality related assets. Further support is expected to be provided to those tenants that continue to be affected by the pandemic over the coming months.

Given Covid uncertainty, and the economic outlook FNHL will continue to manage finances prudently whilst continuing to facilitate and develop commercial and infrastructural assets, and business growth in the Far North District.

Significant Variances

Significant variances are determined as variances over (+/-) \$25,000 and 10%.

Goods sold is above budget. This is attributable to the fuel sales, boat painting business and honey operations turning over higher quantities than expected. Inventories is also high and offsets this additional revenue.

Marina berth commission sales are higher than budgeted due to the high level of domestic demand for marina berths, for which FNHL receives commission on each sale that is made within Bay of Islands Marina.

Employee benefit expenses are higher than budget. FNHL has employed additional staff to maintain the level of performance required to manage multiple high-profile projects and continued growth of FNHL. A tight labour market and wage inflation has resulted in higher salaries, together with the adoption of a living wage policy for all employees as a minimum wage.

Director compensation is below budget with only 4 directors on the board. Additional directors are in the process of being recruited.

Donations are above budget due to current financial year including two years of sponsorship for our long-standing support of youth voyages on the R Tucker Thompson. The scheduling of their sailings had been delayed with Covid and they have now realigned the voyages to previous season timing.

Direct expenses from investment property are below budget. Some repairs and maintenance work has been delayed due to the difficulty getting materials and staff prioritising larger projects.

Impairment of receivables is below budget. This is due to the recovery of some debt that had been allowed as a write off.

Project Updates

Ngawha Innovation and Enterprise Park

Ngawha Innovation and Enterprise Park (NIEP) is advancing with Regent, Northtec and the Innovation Centre buildings all under construction and the Corrections house building compound is in for resource consent. The project, like most in the construction industry, is suffering from supply chain issues in respect of building materials which is creating delays in respect of the final completion dates, which is also compounded by wet weather. We remain confident that Stage 1 will be open by the end of 2022 and are closely managing project finances to deliver within budget.

The project team at Ngawha continue to look for businesses to become part of the Park to create and develop employment, collaboration opportunities and growth.

Kaikohe Berryfruit Limited, a partnership between Ngāpuhi Asset Holdings Ltd and FNHL, continue the search for another partner(s) to contribute horticulture expertise and / or equity investment. There has been strong horticultural interest and negotiations continue.

Community Housing Projects

FNHL's 18-unit community housing development in Kamo Road was affected by Covid lockdowns and has experienced delays with prefabricated units being constructed in Auckland. It is now completed, and the official opening will be held in May 2022.

FNHL has entered into a partnership with Te Hau Ora o Ngāpuhi (THOON) to build sixty units on part of the former RSA site in Kaikohe. The accommodation will be a mix of one, two and three bedroom units, set up in different configurations to cater for the disabled, the elderly and families with small children. The units are to be for short to medium term accommodation rather than permanent homes. FNHL will own 36 one bedroom units and THOON will own the remaining, with THOON managing the entire complex upon completion. Resource consent has been submitted and it is hoped to start on site in the third quarter of 2022.

FNHL is considering a multi-use social housing opportunity in Kaitaia. Consultation is underway to determine the most beneficial option to balance the needs of surrounding businesses whilst addressing significant housing shortage for the area.

Maritime Projects

The Hokianga maritime projects were completed and available for use during the summer period. These projects complete the upgrade of wharves at Te Karaka and Mangungu, the installation of a new pontoon at Motuti and the construction of a new concrete wharf at Rangī Point. The official opening was in February 2022.

The renewal of Pukenui and Unahi commercial wharves is now complete. These projects included demolition of the existing structures and construction of a replacement concrete wharf, new pontoons, wharf mooring piles, service berth, and seawall repairs.

FNHL is project managing the Mangōnui Waterfront Development which includes extension of the waterfront boardwalk. The design includes dual walking and cycling boardwalks to connect the village with the harbour and the provision of a new jetty and pontoon to provide access to the water for recreational activities, including boating, fishing and swimming. The project is the culmination of five years of work by the Mangōnui Waterfront Facilities Working Group that included input from Kenana Marae.

General projects

The rental car facility at Bay of Islands Airports being built for Avis Building Group is complete and operational. This project was for 44 car parks and a building. This will be a key benefit to the airport and will ensure additional choice for visitors to the Bay of Islands.

Bay of Islands Marina Boatyard has been sealed and has greatly improved the yard. There is less dust and residual contamination with the new filtration equipment. It is a significant environmental improvement to the yard and for the marine tenants.

	Actual	Budget	Budget vs Actual		Actual
	9 months to 31-Mar-22 \$	9 months to 31-Mar-22 \$	%	\$	9 months to 31-Mar-21 \$
Goods sold	1,963,927	1,506,366	30.4%	457,561	1,678,563
Services	6,010,473	5,780,754	4.0%	229,719	5,838,275
Rental income	2,754,731	3,043,305	-9.5%	(288,574)	2,839,527
Recoverables	481,007	487,863	-1.4%	(6,856)	500,361
Commission	41,739	9,000	363.8%	32,739	25,000
Other	122,088	-		122,088	-
Finance income	(2,243)	5,247	-142.8%	(7,490)	16,936
Total Revenue	11,371,723	10,832,535	5.0%	539,188	10,898,662
Employee benefit expenses	2,975,633	2,654,840	12.1%	320,793	2,698,475
Director compensation	106,370	136,656	-22.2%	(30,286)	96,025
Corporate overheads	413,442	399,303	3.5%	14,139	352,625
Donations	65,000	33,628	93.3%	31,372	67,613
Other operating expenses	2,073,607	2,023,492	2.5%	50,115	2,373,989
Direct expenses from investment property	1,076,984	1,211,256	-11.1%	(134,272)	925,935
Inventories	1,642,184	1,203,552	36.4%	438,632	1,332,283
Impairment of receivables	12,675	48,753	-74.0%	(36,078)	4,835
Depreciation and amortisation	636,565	655,101	-2.8%	(18,536)	589,885
Finance expenses	997,095	991,171	0.6%	5,924	938,174
Total Expenses	9,999,555	9,357,752	6.9%	641,803	9,379,839
Operating Surplus	1,372,168	1,474,783	-7.0%	(102,615)	1,518,823
Income tax expense	-	-		-	-
Profit/(loss) for the period	1,372,168	1,474,783		(102,615)	1,518,823

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	31-Mar-22	31-Dec-21	30-Jun-21
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	9,524,802	9,573,689	10,031,991
Retained earnings	46,197,045	46,176,367	45,214,022
	<u>73,721,847</u>	<u>73,750,056</u>	<u>73,246,013</u>
Current Assets			
Cash and cash equivalents	28,792	31,573	87,282
Trade receivables & prepayments	3,318,797	4,672,997	3,837,729
Inventories	1,701,673	1,674,869	1,690,653
Other investments	578,352	573,768	573,768
Properties intended for sale	-	-	1,558,678
	5,627,614	6,953,208	7,748,110
Non Current Assets			
Intangible assets	100,000	100,000	100,000
Biological assets	1,184,150	1,184,150	1,184,150
Property, plant & equipment	26,920,114	25,545,547	25,413,261
Investment properties	106,200,860	104,879,920	100,409,919
Investments in equity accounted associates	1,232,203	1,232,203	1,232,203
Loans	665,000	665,000	-
	136,302,327	133,606,820	128,339,533
Total Assets	141,929,941	140,560,027	136,087,643
Current Liabilities			
Current Loans	10,500,000	10,500,000	1,671,240
Payables, accruals and income in advance	4,860,921	5,405,570	10,389,351
	15,360,921	15,905,570	12,060,591
Non Current Liabilities			
Loans	38,682,500	36,220,955	37,124,992
Deferred tax liability	3,334,213	3,334,213	3,428,132
Income in advance	10,830,459	11,349,233	10,227,914
	52,847,172	50,904,401	50,781,038
Total Liabilities	68,208,093	66,809,971	62,841,629
	<u>73,721,847</u>	<u>73,750,056</u>	<u>73,246,014</u>