



Far North Holdings Limited

First Quarter Report 2020/2021



1 July 2020 to 30 September 2020



Far North Holdings Limited

First Quarter Report

For the 3 months ended 30 September 2020

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 3 months from 1 July 2020 to the 30 September 2020.

FNHL's Statement of Financial Position at 30 September 2020 and Statement of Financial Performance for the 3 months to 30 September 2020 are attached.

FNHL's financial performance has exceeded expectations for the first quarter, with profit of \$232k, being \$138k ahead of budget and \$114k ahead of the same period last year. The balance sheet reflects additional borrowings of \$1.7m for ongoing project costs and cashflow requirements. Shareholder funds have increased by \$290k.

FNHL's interest cover ratio is at 2.57, with a bank permissible ratio of 1.5. Our equity/asset ratio is also favourable at 52.37% with a bank permissible ratio of 50%.

Covid-19 Lockdown and Economic Outlook

This financial year has been challenging with the impacts of Covid-19. As budgeted, Covid-19 has particularly affected income relating to cruise ships and airports. Rent relief has also been provided to those tenants who continue to be affected during this quarter. However, these income reductions have been compensated by an increase in marina, boat yard and car park activity. Tourism has been thriving in the Bay of Islands with New Zealanders travelling around their own country.

While Covid-19 and the restrictions implemented throughout New Zealand have impacted FNHL, our solid performance and strong financial management meant we have been able to withstand the challenges presented. FNHL will continue to manage finances prudently and continue to facilitate and develop commercial and infrastructural assets, and business growth in the Far North District.

Significant Variances

Cost of goods sold is \$170k below budget due to the delay in budgeted honey sales. The company continues to focus on identifying additional markets and distribution channels for this product.

Service revenue is favourable by \$158k reflecting the increased boating activity in the Bay of Islands and car park revenue.

Employee Benefit expenses are favourable by \$144k. This is a timing issue and will balance out over the next quarter as additional senior staff have been employed to assist with the growing requirements of FNHL's business and upcoming projects.



Achievements

In August, Bay of Islands Airport won an architecture award. 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. The architect diagrammed the flow of incoming and outgoing passengers and drew inspiration from the idea of an eddy to place a café in the centre of the two streams of passengers. The stratagem works and because it does, Bay of Islands Airport is one of the more successful regional airports. Artwork created by local mana whenua artists grounds the project and reflects its near-civic nature as an expression of manaakitanga, which is about being gracious hosts. The desire of architect and clients that the building should tell the stories of the local iwi is certainly worth celebrating."

Project Updates

The Te Hononga project in Kawakawa is now complete. Work on the ātea had been hampered by the July floods so it was a hive of activity to get it ready on time for the opening by the Prime Minister in October. Te Hononga includes a public library, a council service centre, public toilets and showers, a gallery, an interpretative centre detailing Hundertwasser's connection to Kawakawa, a community workshop area, expanded car and bus parking to take pressure off the town's main street and an ātea, or town square. The ātea has been created on a space created by demolishing the old library and post office, creating a link between Te Hononga and the main street and to give the town an outdoor gathering space. The collaboration between the Hundertwasser Memorial Park Charitable Trust and Ngati Hine as resulted in a stunning asset for the Far North.

Manea Footprints of Kupe project is progressing well and is on schedule for opening in early December. Working in partnership with NZ Māori Tourism and Te Hua o te Kawariki Trust, telling the story of Kupe in the Hokianga. All exterior work is complete, and the focus is now on fit-out of the theatre and powhiri space, finishing the landscaping and the carving of pou for the site.

FNHL is set to implement parts of a long-shelved plan to develop the waterfront at Paihia in the Bay of Islands. Receiving \$8m from the Provincial Growth Fund (PGF) to build breakwaters that will protect waterfront infrastructure, including the town's wharf and main road, and utility services such as sewage and water. FNDC has earmarked an additional \$5.3m to the project. This would enable development of the recreational area and restoration of the beach between the wharf and Nihonui Point if this is what the community wants. Community consultation meetings have commenced, and design is underway.

The fitness / walking trail on the new reserve on Opua Kellet Street Hilltop is almost complete. This connects the residential area on Kellet Street and the school, to the soon to be marina playground. The marina playground will be a hybrid of conventional play equipment and elements of a traditional Māori Māra Hūpara. This has been delayed but the company hopes to install this early in the new year.



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FNHL has had commitment from PGF for a second round of funding in support of the Ngawha Innovation and Enterprise Park development near Kaikohe. A large team comprising from FNHL, Northland Inc, Ngati Rangī, government agencies, iwi, sector specialists, engineers, architects and planning and economic development experts has developed the business case for the park and built a masterplan designed to provide the 'closed loop' system over several stages of development.

There has been significant interest in Stage One of the park's development from a range of potential occupants involved in food manufacturing, bioenergy, covered horticulture, research and development, and trades training that could see the production of low-cost community and social housing. These organisations are either expanding or new to the district, and would offer new jobs to local unemployed people, or those whose activities complement the 'closed loop' aspiration of the development. This involves tenants using the innovations and unwanted by-products of other businesses on the site to avoid additional demand on already-stretched community services such as potable water, raw water, wastewater treatment and waste management services.

In addition to FNHL's own projects, FNHL provides project management services. FNHL is privileged to be part of the team involved in the redevelopment of the Te Waiariki Ngawha Springs near Kaikohe. We supported the Parahirahi Ngawha Waiariki Trust in the planning stages of the \$4.3m project and compiled their application for PGF and Foundation North funding, which were successful. This project is on track for completion in December.

FNHL is also providing project management services to the Far North District Council on a range of Council-owned and Council-commissioned projects for the re-development and upgrade of various items of marine infrastructure around the District. These include the Mangonui Waterfront, Windsor Landing access road and carpark, Pukenui and Unahi wharf renewals, Hokianga wharves (Te Karaka, Motuti, Mangungu and Rangī Point), and Rangitane maritime facilities.

In partnership with Ngati Rehia, FNHL is project-managing design, consenting and construction of a wharewaka and mangrove boardwalk as part of the Rewa's Village redevelopment project. The wharewaka will be an iconic structure, visible to all visitors to the Stone Store Basin and surrounding areas.

FNHL is pleased to lend its project management skills and expertise to these developments. This mahi will provide employment, economic, cultural and social outcomes to support the growth of our District whilst enabling the local community.

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
For Three Months Ended 30 September 2020

	Actual	Budget	Budget vs Actual		Actual
	3 months to 30-Sep-20 \$	3 months to 30-Sep-20 \$	%	\$	3 months to 30-Sep-19 \$
Goods sold	381,161	551,322	-31%	(170,161)	353,472
Services	1,815,620	1,657,542	10%	158,078	1,538,781
Rental income	869,289	857,723	1%	11,566	961,158
Recoverables	118,692	102,199	16%	16,493	93,433
Commission	-	3,750	-100%	(3,750)	2,826
Finance income	4,554	1,749	160%	2,805	3,072
Total Revenue	3,189,316	3,174,285	0%	15,031	2,952,743
Employee benefit expenses	820,549	964,803	-15%	(144,254)	660,442
Director compensation	30,425	39,801	-24%	(9,376)	38,342
Corporate overheads	130,453	111,486	17%	18,967	94,189
Donations	22,166	7,752	186%	14,414	284
Other operating expenses	890,138	835,969	6%	54,169	884,765
Direct expenses from investment property	270,137	269,614	0%	523	207,805
Inventories	222,003	283,750	-22%	(61,747)	276,941
Impairment of receivables	3,505	6,249	-44%	(2,744)	121
Depreciation and amortisation	209,341	234,618	-11%	(25,277)	261,454
Finance expenses	359,056	327,015	10%	32,041	410,959
Total Expenses	2,957,773	3,081,057	-4%	(123,284)	2,835,303
Operating Surplus	231,543	93,228	148%	138,315	117,440
Income tax expense	-	-	-	-	-
Profit/(loss) for the period	231,543	93,228	138,315	117,440	

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STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	30-Sep-20	30-Jun-20	30-Sep-19
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	7,825,556	7,767,045	8,067,596
Retained earnings	36,876,712	36,645,168	31,903,580
	<u>62,702,268</u>	<u>62,412,213</u>	<u>57,971,177</u>
 Current Assets			
Cash and cash equivalents	18,863	31,831	16,973
Trade receivables & prepayments	2,068,221	2,142,344	2,743,162
Inventories	1,584,127	1,582,439	1,264,780
Other investments	570,717	570,716	743,778
	<u>4,241,926</u>	<u>4,327,330</u>	<u>4,768,694</u>
 Non Current Assets			
Intangible assets	100,000	100,000	200,000
Biological assets	1,603,560	1,603,560	2,403,730
Property, plant & equipment	26,699,890	26,666,493	26,914,026
Investment properties	87,000,783	85,474,560	81,446,183
	115,404,233	113,844,613	110,963,939
Total Assets	119,646,159	118,171,943	115,732,632
 Current Liabilities			
Current Loans	1,166,606	1,764,360	-
Payables, accruals and income in advance	2,701,386	4,007,171	5,088,235
	3,867,992	5,771,531	5,088,235
 Non Current Liabilities			
Loans	38,906,840	37,178,172	39,047,339
Deferred tax liability	2,849,253	2,849,253	2,639,824
Income in advance	11,319,807	9,960,774	10,986,057
	53,075,899	49,988,199	52,673,220
Total Liabilities	56,943,891	55,759,730	57,761,455
	<u>62,702,268</u>	<u>62,412,213</u>	<u>57,971,177</u>