



Far North Holdings Limited

First Quarter Report

For the three months ended 30th September 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 three months from 1st July 2022 to the 30th of September 2022.

FNHL's Statement of Financial Position and Statement of Financial Performance for the three months to 30th September 2022 are attached.

FNHL's financial performance is below budget primarily resulting from the on-going impacts on New Zealand's economy of the global economic condition and the resultant rapid rise in both interest rates and inflation. Despite this, FNHL continues to operate within its banking covenants with interest cover at 1.45 (minimum ratio of 1.1) and equity/asset ratio at 53.4% (permissible ratio of 50%).

Given the uncertainty with regards to the gloomy economic outlook FNHL will continue to exercise extreme prudence in its financial management whilst continuing to facilitate and develop commercial and infrastructural assets while supporting business growth in the Far North District. We remain on track to meet the Statement of Intent Financial Performance Targets for the 2022-2023 financial year.

Significant Variances

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

Goods sold is above budget and attributable to fuel sales and boatyard operations turning over higher quantities than expected. Inventories are high due to increased fuel costs and also partially offsets this additional revenue. Honey income is lower than anticipated and reflects the wind down of the business due to the ongoing adverse performance.

Rental income shows an overall favorable budget position and primarily reflects increases in CPI adjustments to our commercial properties. This is coupled with the coming online of the Kamo Road property which has exceeded our budgeted estimate.

Employee benefit expenses are lower than the budget due to the capitalization of staff costs related to development projects coupled with the current tight employment market and difficulty in securing staff. Corporate overheads have significantly exceeded the budget as a result of multiple expenses being incurred during the first quarter so this should level out over the full year. Of note are Health & Safety costs which reflect our ongoing commitment to improving our work

environment for our staff and the public. Consulting and Computer costs are also increased due to structural and tax advice and our pending relocation to the Innovation Park.

Direct expenses from investment property are above budget. This increase is primarily due to costs associated with the airport with the employment of a temporary airport manager, as Stan Hansen departed for a new challenge, the cost of recruitment and an increase of over 30% in the company's insurance costs as being the major items of note. Repairs and maintenance work is also above budget as work has begun to catch up after last year's delays due to the difficulty in sourcing materials coupled with material and contractor price escalation.

Increased inventories reflect the significant cost escalation of fuel over the past six months and is not related to volume.

Finance expenses are below budget reflecting the delayed draw down of financing facilities related to the Corrections and RSA projects. It is anticipated this will significantly increase as we progress with these projects and draw on these facilities. Additional expenses will be incurred as we reset other facilities at higher interest rates upon maturity.

Project Updates

Ngawha Innovation and Enterprise Park

NorthTec building continues to progress well with internal linings now at 75% complete, plastering and painting underway, suspended ceilings being installed and electrical fit-out started. After COVID interruptions and material delay early on this building is tracking well and estimate completion mid-December.

Regent building floor coverings are now complete, internal fit-out for services is 95%, the inside of the building will be complete mid-October. Fencing of the yard and footpaths are due to start at the end of September.

Innovation Hub is progressing well with floor coverings, Riverwood linings and internal fit-out of services all on schedule. Some exterior works have been started with footpath and groundworks to the front side of the building underway and site drainage works completed.

Corrections site has the two building platforms complete, building contract has been signed and work to establish the builders onsite has begun with a view to start slab construction early October.

Community Housing Projects

Te Hau Ora o Ngapuhi Kaikohe Housing works have started in the factory and onsite, three units have been built and delivered to site and framing has started on

the next six units in the factory. The stage one platform is ready for slab foundation work to start, and the units delivered to site to be sited and connected.

Ranfurly Street, Dargaville resource consent has been lodged for stage one of this development being a mix of two- and three-bedroom units arranged in rows of three or four units, and one-bedroom units arranged in fourplex walkup building with a total of 46 residential units on this site and stage two a potential 8-lot subdivision.

General projects

Kaitaia Masterplan – *work is continuing to finalise the masterplan with a presentation to Kaitaia Business Association and Community Board planned mid-November.*

Puketiti, Opuā -The company is aware of the community feeling and on-going occupation and is looking at how this may be addressed.

Merlin Labs Hangar Kerikeri airport – Works have commenced on this project to provide a new facility for an aviation software company that is working on aviation technology related to plane operations. The new hangar will enable Merlin Labs to store their aircraft and to complete their software programming of the planes.

	Actual	Budget	Budget vs Actual		Actual
	3 months to 30-Sep-22 \$	3 months to 30-Sep-22 \$	%	\$	3 months to 30-Sep-21 \$
Goods sold	390,396	344,691	13%	45,705	208,357
Services	1,941,057	2,080,019	-7%	(138,962)	1,791,233
Rental income	1,030,221	904,407	14%	125,814	918,278
Recoverables	186,300	176,954	5%	9,346	125,066
Commission	-	15,000	-100%	(15,000)	11,304
Other	14,147	21,900	-35%	(7,753)	111,836
Finance income	251	6,004	-96%	(5,753)	(6,334)
Total Revenue	3,562,372	3,548,975	0%	13,397	3,159,740
Employee benefit expenses	1,008,561	1,046,328	-4%	(37,767)	880,779
Director compensation	83,518	95,790	-13%	(12,272)	31,994
Corporate overheads	215,894	51,415	320%	164,479	98,299
Donations	5,226	21,750	-76%	(16,524)	22,808
Other operating expenses	697,844	675,296	3%	22,548	666,547
Direct expenses from investment property	723,631	522,378	39%	201,253	337,487
Inventories	378,109	326,430	16%	51,679	250,084
Impairment of receivables	-	-	0%	-	8,731
Depreciation and amortisation	249,547	198,861	25%	50,686	205,062
Finance expenses	564,709	733,385	-23%	(168,676)	291,482
Total Expenses	3,927,038	3,671,633	7%	255,405	2,793,273
Profit/(loss) for the period	(364,666)	(122,658)		(242,008)	366,467

STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	30-Sep-22	30-Jun-22	31-Mar-22	30-Sep-21
Equity				
Share capital	18,000,000	18,000,000	18,000,000	18,000,000
Reserves	11,796,471	9,460,801	9,524,802	9,961,398
Retained earnings	60,150,095	45,391,964	46,197,045	45,674,407
	89,946,566	72,852,765	73,721,847	73,635,805
Current Assets				
Cash and cash equivalents	1,018,716	288,217	28,792	5,480
Trade receivables & prepayments	3,127,856	2,378,199	3,318,797	1,971,776
Inventories	1,541,278	1,751,191	1,701,673	1,693,587
Other investments	442,534	485,804	578,352	573,768
Properties intended for sale	1,360,035	-	-	-
	7,490,419	4,903,411	5,627,614	4,244,611
Non Current Assets				
Intangible assets	100,000	100,000	100,000	100,000
Biological assets	341,275	1,184,150	1,184,150	1,184,150
Property, plant & equipment	32,513,126	27,626,176	26,920,114	25,376,569
Investment properties	126,161,157	110,522,334	106,200,860	102,772,790
Investments in equity accounted associates	1,232,203	1,232,203	1,232,203	1,232,203
Loans	665,000	665,000	665,000	665,000
	161,012,761	141,329,863	136,302,327	131,330,712
Total Assets	168,503,180	146,233,274	141,929,941	135,575,323
Current Liabilities				
Current Loans	14,000,000	10,500,000	10,500,000	-
Payables, accruals and income in advance	5,662,987	7,862,912	4,860,921	8,112,883
	19,662,987	18,362,912	15,360,921	8,112,883
Non Current Liabilities				
Loans	38,578,955	39,659,962	38,682,500	38,758,662
Deferred tax liability	3,428,132	3,334,213	3,334,213	3,334,213
Income in advance	16,886,540	12,023,422	10,830,459	11,733,762
	58,893,627	55,017,597	52,847,172	53,826,637
Total Liabilities	78,556,614	73,380,509	68,208,093	61,939,520
	89,946,566	72,852,765	73,721,847	73,635,805

Figures yet to be verified with Audit

COMPLIANCE CERTIFICATE

TO: **Bank of New Zealand** as Lender

This Compliance Certificate is given by the undersigned, being the directors of Far North Holdings Limited and is given pursuant to the facility document dated 13th July 2022.

Terms defined in the agreement have the same meaning herein.

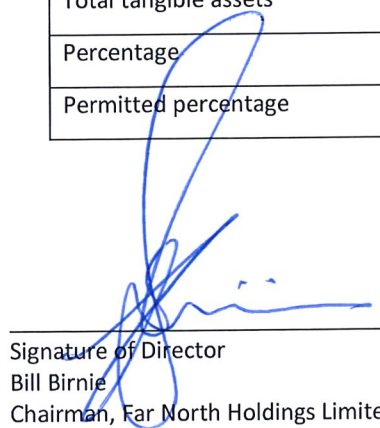
I certify on behalf of the borrower as at 30th September 2022 ("Reporting Date") that, to the best of our knowledge and belief, having made due enquiry:

- (a) No event of default, potential event of default or event of review has occurred which is continuing; and
- (b) The representations and warranties made in the transaction documents would be true and accurate in all material respects, and not misleading in any material respect, if repeated at the date of this compliance certificate.
- (c) No financial undertaking set out in the agreement has been breached at any time in, or in respect of, the period from 30th June 2022 to and including the reporting date; and
- (d) The amounts set out below are true and correct.

Calculations (as at the reporting date):

A. Interest cover and shareholder funds:

EBIT (A) rolling 12-month profit	\$2,507,698
Interest cost (B) Excluding interest capitalised to building projects	\$1,730,049
Ratio of A to B	1.45
Permitted ratio	1.10
Shareholder funds	\$89,846,566
Total tangible assets	\$168,403,171
Percentage	53.35%
Permitted percentage	50.00%



Signature of Director
Bill Birnie
Chairman, Far North Holdings Limited

Dated: 14th November 2022