



Far North Holdings Limited

Half Year Report 2021/2022



1 July 2021 to 31 December 2021

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
For Six Months Ended 31 December 2021

	Actual	Budget	Budget vs Actual		Actual
	6 months to 31-Dec-21 \$	6 months to 31-Dec-21 \$	%	\$	6 months to 31-Dec-20 \$
Goods sold	916,294	1,004,244	-9%	(87,950)	881,655
Services	3,897,629	3,881,140	0%	16,489	4,165,792
Rental income	1,801,861	1,996,500	-10%	(194,639)	1,777,769
Recoverables	305,173	325,242	-6%	(20,069)	261,055
Commission	33,043	6,000	451%	27,043	7,826
Wage Subsidy	112,040	-	0%	112,040	-
Finance income	(5,939)	3,498	-270%	(9,437)	12,717
Total Revenue	7,060,102	7,216,624	-2%	(156,522)	7,106,814
Employee benefit expenses	1,993,707	1,677,820	19%	315,887	1,856,994
Director compensation	65,298	79,602	-18%	(14,304)	63,729
Corporate overheads	241,958	266,202	-9%	(24,244)	236,289
Donations	23,208	29,752	-22%	(6,544)	67,073
Other operating expenses	1,376,566	1,366,497	1%	10,069	1,653,592
Direct expenses from investment property	706,006	807,504	-13%	(101,498)	658,270
Inventories	700,282	802,368	-13%	(102,086)	649,467
Impairment of receivables	10,691	32,502	-67%	(21,811)	3,505
Depreciation and amortisation	399,063	436,734	-9%	(37,671)	389,734
Finance expenses	674,896	594,114	14%	80,782	649,410
Total Expenses	6,191,676	6,093,095	2%	98,581	6,228,063
Operating Surplus	868,426	1,123,529	-23%	(255,103)	878,751
Tax on items that will not be reclassified to profit or loss	-	-	-	-	-
Profit/(loss) for the period	868,426	1,123,529	(255,103)		878,751

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	31-Dec-21	30-Jun-21	31-Dec-20
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	9,573,689	10,031,991	7,884,244
Retained earnings	46,176,367	45,214,022	37,523,919
	<u>73,750,056</u>	<u>73,246,013</u>	<u>63,408,163</u>
Current Assets			
Cash and cash equivalents	31,573	87,282	902,315
Trade receivables & prepayments	4,672,997	3,837,729	3,698,748
Inventories	1,674,869	1,690,653	1,587,883
Other investments	573,768	573,768	570,717
Properties intended for sale	-	1,558,678	-
	6,953,208	7,748,110	6,759,662
Non Current Assets			
Intangible assets	100,000	100,000	100,000
Biological assets	1,184,150	1,184,150	1,603,560
Property, plant & equipment	25,545,547	25,413,261	26,552,717
Investment properties	104,879,920	100,409,919	85,053,476
Investments in equity accounted associates	1,232,203	1,232,203	-
Loans	665,000	-	-
	133,606,820	128,339,533	113,309,753
Total Assets	140,560,027	136,087,643	120,069,415
Current Liabilities			
Current Loans	10,500,000	1,671,240	-
Payables, accruals and income in advance	5,405,570	10,389,351	4,036,209
	15,905,570	12,060,591	4,036,209
Non Current Liabilities			
Loans	36,220,955	37,124,992	38,871,017
Deferred tax liability	3,334,213	3,428,132	2,849,253
Income in advance	11,349,233	10,227,914	10,904,772
	50,904,401	50,781,038	52,625,043
Total Liabilities	66,809,971	62,841,629	56,661,252
	<u>73,750,056</u>	<u>73,246,014</u>	<u>63,408,163</u>



Half Year Report

For the 6 months ended 31 December 2021

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 December 2021.

FNHL's Statement of Financial Position at 31 December 2021 and Statement of Financial Performance for the 6 months to 31 December 2021 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 3.4 (minimum ratio of 1.5) and equity/asset ratio favourable at 52.4% (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%.

Rental income is below budget due to rent relief provided, as previously identified, and reflecting the delayed start for rental for the Kamo Rd housing development due to Covid lock-downs both regionally and in Auckland.

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. During lockdowns, employees at FNHL were retained on full pay, but once able to return to work, they worked additional hours to recover time lost and meet the demands of our customers, increasing overtime costs. 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.

Low inventories spend and goods sold is attributable to fuel purchases. This is a combination of reduced tourism operations in the Bay and consolidation within the market with the sale of Intercity to Explore who have alternative fuel suppliers.

Finance expenses are above budget due to working capital requirements and project spend being earlier than anticipated.

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.

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 is strong horticultural interest and negotiations continue and the first crop is expected to be planted this year.

The Innovation & Education Centre is progressing well despite some structural steel and material procurement setbacks. The roof and window frames are fitted, and practical completion is currently expected December 2022.

The Regent Training Centre roof and wall cladding are fitted with internal framing underway. Covid and weather delays have been minimal to this project and completion is still on track for August 2022.

The metal platform has been completed for the NorthTec building. Despite weather and covid issues, works have progressed well. The steel frame and roof are expected to be complete early 2022.

A new agreement with the Department of Corrections has been executed which sees FNHL building and leasing a purpose-built training facility within the NIEP development. Consent applications have been lodged and work should begin early to mid-2022.

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. Completion is expected in February 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.

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 is in February 2022.

The renewal of Pukenui and Unahi commercial wharves is progressing well. Pukenui is complete and Unahi is due to be completed early 2022. These projects include demolition of the existing structures and construction of a replacement concrete wharf, new pontoons, wharf mooring piles, service berth, and seawall repairs. The tender for both was awarded to Total Marine Services Ltd. They are employing Pukenui Excavators and Stonecraft as local subcontractors.

FNHL is project managing the Mangonui 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.

Construction of a reclamation in Rangitane to provide approximately 19 trailer parks and 8 car parking spaces is experiencing further delays as FNHL work with the Ngāpuhi Rununga and Ngāti Rehia over the CIA requirements as prescribed by the EPA. The development proposes the construction of a new double width boat ramp with a launching pontoon, renewal of the existing jetty and installation of a pontoon and gangway. FNHL continue to work with residents and hapu to ensure the progression of this essential development for the community.

Paihia Waterfront Development is the construction of rock breakwaters to provide a calmer wave environment in the Paihia Basin thereby protecting state highway and Council infrastructure. Part of the development sees the replenishment of Horotutu Beach which not only plays an integral part in helping wave reduction but also creates a beach for public enjoyment and to protect Council infrastructure from major weather events and improve resilience. The development also includes landscaping, footpaths, and dredging to relocate the navigation channel to Paihia Wharf. Progress on the project is taking time reflecting the complexity of the project.

General projects

The rental car facility at Bay of Islands Airports being built for Avis Building Group is progressing well. The 1745sqm site will contain a 300sqm building and include 44 car parks. The structural frame is complete and the roof is on.

Bay of Islands Marina Boatyard is currently being sealed. The seal will be a significant environmental improvement to the yard, removing any dust and residual contamination going to ground and capturing run off through 360 filtration equipment. This will be a great asset to the company and a statement of the companies position on leading the marine industry in its investment in such infrastructure, and the marine tenants in the Opuia area are excited and proud to see this happen.

The finger piles are being replaced in the marina. This is to strengthen the structural integrity and lengthen the life of the marina. It is also increasing the height of the piles to improve resilience with predicted sea-level rises and bring into line with stage 2 of the marina.
