



Far North Holdings Limited

Six Monthly Report

For the six months ended 31st December 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 six months from 1st July 2022 to the 31st of December 2022.

FNHL's Statement of Financial Position and Statement of Financial Performance for the six months to 31st December 2022 are attached.

Given the current global uncertainty and the economic outlook, FNHL continues to manage finances prudently while continuing to facilitate and develop commercial and infrastructure assets.

Significant Variances

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

Goods sold and cost of inventories is above budget, in the main this is attributable to the increased diesel fuel price. Although the volume of fuel sales is similar to the corresponding period last year, the average cost per litre is \$0.79 cents higher. FNHL receives a litreage discount for all fuel sales.

Rental income continues to perform well with increases to budget. The filling of vacancies, the removal of Covid subsidies and ongoing rent reviews, many of which are cpi based, have all contributed to the better-than-expected performance. The income from the community housing property at Kamo Rd, Whangarei has come in higher than expected due to the later than forecast sale of 50% in January 2023.

Director Compensation is down on budget due to ongoing recruiting for the subsidiary boards, however it is up against prior year as a result of subsidiary Boards being partially filled.

Corporate overheads are up by 14% mostly in consultancy fees, accountancy fees, increased emphasis on Health & Safety, and computer costs.

Other operating expenses are also up by 14%, mainly due to consultancy fees and increased maintenance projects.

Depreciation has increased due to asset purchases at the new Innovation Hub, upgrades for various Marina and Property assets.

Finance expenses are lower than budget due to the capitalization of interest costs related to the various development projects. However, they are higher than the previous year as a result of higher interest rates and overall debt.

Project Updates

Ngawha Innovation and Enterprise Park

NorthTec & Regent

Both buildings completed and tenancies occupied from 11 January 2023.

Innovation Hub

FNHL moved into their tenancy mid-December 2022 and Northland Inc occupied its tenancy from 11 January 2023.

Corrections

This building project is to schedule with the unfavorable weather conditions presenting some challenges. The concrete floors and foundations are now complete with majority of the framing now in place.

General

Exterior finishing works are continuing around the completed buildings.

Community Housing Projects

Te Hau Ora o Ngapuhi (THOON)/FNHL, Kaikohe Housing

This development at 52-56 Tawanui Road, Kaikohe provides for sixty new homes and is being conducted in partnership with THOON. Construction is well underway and is tracking to schedule with several of the Stage 1 homes delivered from the factory to site. The development is a mix of one-, two- and three-bedroom homes to be delivered over four stages completing in 2024.

THOON is the Community Housing Provider (CHP) for this property.

Ranfurly Street, Dargaville

This development provides for forty-six new homes being a mix of one-, two- and three-bedroom homes. The Resource consent application has been lodged.

General projects

Merlin Labs New Hangar Bay of Islands Airport

Construction of a new hangar facility for Merlin Labs is on target for the scheduled completion date of 28 February 2023. Merlin Labs is developing autonomous flight technologies and has chosen to base its New Zealand operations at Bay of Islands Airport. The addition of Merlin Labs as a tenant will assist in developing the airport precinct in the longer term.
