



Far North Holdings Limited

Half Year Report 2019/2020



1 July 2019 to 31 December 2019



CHAIRMANS REPORT

For the 6 months ended 31 December 2019

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 2022 the Directors hereby report on the activities of the company for the 6 months from 1 July 2019 to the 31 December 2019.

FNHL's Statement of Financial Position at 31 December 2019 and Statement of Financial Performance for the 6 months to 31 December 2019 are attached.

The first half of the financial year has been productive for FNHL with an operating profit of \$1,183m. The overall profit is currently below budget and behind the previous year, However, FNHL's business as usual activities are 13% ahead of budget and 14% ahead of this period last year. Though it is prudent to note there will be a taxable liability consequence this year which will be quantified at year end.

The Bay of Islands Marina and boatyard have been performing outstandingly well and achieving returns 98% higher than budgeted. This reflects the exceptional occupancy statistics in the Marina and boatyard. The property portfolio in the Bay of Islands and maritime facilities are all comfortably achieving adequate financial returns and overall the company is expected to meet year-end targets.

The Paihia Wharf project is almost complete. The facility upgrade includes building an additional four berths for vessels, increased space for passengers and improved passenger facilities. This includes widening the main wharf walkway to deal with congestion issues, resulting in a more open and pleasant experience and allowing the public to better enjoy the wharf. It has already received acclamation from locals and tourists.

This year FNHL purchased another investment property in Kaikohe and finalised a land purchase in Opononi, widening our investment portfolio across the Far North district.

The Opua – Kellet Street residential development is progressing and FNHL has received the six titles outlined in the stage one plan. This will also facilitate the installation of a fitness/walking trail connection from the residential area to the marina playground. The marina playground will be a hybrid of conventional play equipment and elements of a traditional Māori Māra Hūpara.

With Russell Wharf work now completed, FNHL has received many compliments from locals and visitors alike. FNHL is now working with the newly formed, fully mandated Kororareka Russell Community Wharf Kaitiaki Trust on the day-to-day management and maintenance of this important community asset.

The Te Hononga project in Kawakawa has been progressing well and the building is due to be complete in April. The large Corten artwork on the turret has been constructed and fitted and is transforming the already stunning appearance of the building. Work on the new car park is due to start shortly so that both are opened by the 30th June 2020.

The executive team is still focused on the Ngawha Innovation & Enterprise Park development. Potential tenants have been identified and the Provincial Growth Fund application has been lodged to fund the infrastructure required to open up the site for development. The project could create as many as 333 full time equivalent jobs in Stage 1 alone and is seen as a significant opportunity to diversify employment away from the seasonal jobs typically offered by the tourism employers that are dominant in Northland. The team is focused on exploring all the available options for the site both from a tenant and funding perspective, to ensure "no stone is left unturned" as the company understand how important this project is to all concerned.

The board is currently completing a financial review of the company and updating budgets to provide information for the Statement of Intent for the 2020-2023 period. Future profit is looking good and we are optimistic for a strong few years ahead, subject to the stability of the global economy.

Bill Birnie CNZM

CHAIRMAN

SCHEDULE 5 - 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 clause 9.1 (f) of the Facility Agreement ("Agreement") dated 6 August 2015, and the facility document dated 31 July 2019.

Terms defined in the Agreement have the same meaning herein.

I certify on behalf of the Borrower as at **31 December 2019** ("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 clause 10.4 or 10.5 of the Agreement has been breached at any time in, or in respect of, the period from **31 December 2018** 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: (clause 10.4 and 10.5):

EBIT (A) rolling 12-month profit	\$5,162,994
Interest Cost (B) Excluding interest capitalized to building projects.	\$1,956,029
Ratio of A to B	2.64
Permitted Ratio	1.5 to 1
Shareholder Funds	\$58,843,145
Total Tangible Assets	\$116,512,163
Percentage	50.5%
Permitted Percentage	50%

Dated:

17/2/20

Signature of Director

W.N Birnie

Director - Far North Holdings Limited

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
For Six Months Ended 31 December 2019

	6 months to 31-Dec-19	6 months to 31-Dec-18
Operating revenue	7,648,819	6,891,022
Interest received	-	-
	<hr/>	<hr/>
Total Revenue	7,648,819	6,891,022
Operating expenses	(6,465,634)	(5,424,543)
	<hr/>	<hr/>
Operating Surplus	1,183,185	1,466,479
Net Surplus before Taxation	<u>1,183,185</u>	<u>1,466,479</u>

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	31-Dec-19	30-Jun-19	31-Dec-18
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	8,273,137	8,266,055	7,137,503
Retained earnings	<u>32,770,008</u>	<u>31,586,780</u>	<u>30,635,809</u>
	<u>59,043,145</u>	<u>57,852,835</u>	<u>55,773,312</u>
Current Assets			
Cash and cash equivalents	8,747	28,717	46,865
Trade receivables & prepayments	2,615,672	1,437,128	2,217,557
Inventories	1,183,570	1,265,694	1,266,161
Other investments	<u>523,778</u>	<u>743,778</u>	<u>860,761</u>
	4,331,768	3,475,317	4,391,344
Non Current Assets			
Intangible assets	200,000	200,000	203,710
Biological assets	2,403,730	2,403,730	-
Property, plant & equipment	27,039,929	27,079,918	26,565,838
Investment properties	<u>82,736,736</u>	<u>79,152,239</u>	<u>73,488,412</u>
	112,380,395	108,835,887	100,257,960
Total Assets	116,712,163	112,311,204	104,649,304
Current Liabilities			
Payables, accruals and income in advance	<u>6,798,382</u>	<u>11,595,418</u>	<u>4,170,006</u>
	6,798,382	11,595,418	4,170,006
Non Current Liabilities			
Loans	39,013,316	30,552,240	33,389,472
Deferred tax liability	2,639,824	2,639,823	2,491,938
Income in advance	<u>9,217,496</u>	<u>9,670,888</u>	<u>8,824,576</u>
	50,870,636	42,862,951	44,705,986
Total Liabilities	57,669,018	54,458,369	48,875,992
	<u>59,043,145</u>	<u>57,852,835</u>	<u>55,773,312</u>