



**Far North
Holdings Limited**

Third Quarter Report

2019/2020



1 July 2019 to 31 March 2020



Third Quarter Report

For the 9 months ended 31 March 2020

In accordance with Part 5, Section 66 of the Local Government Act 2002 and Far North Holdings Limited ("FNHL") Statement of Intent for the three years to June 2022 we hereby report on the activities of the company for the 9 months from 1 July 2019 to the 31 March 2020.

FNHL's Statement of Financial Position at 31 March 2020 and Statement of Financial Performance for the 9 months to 31 March 2020 are attached. As resolved at the 23 April 2020 council meeting, the information on the Statement of Financial Performance is now more detailed to show budget and main category spends as per the annual report.

Covid-19 Lockdown and Economic Outlook

Covid-19 has created great uncertainty for the future economic outlook, of not just the Far North, but the whole of New Zealand. It is fortunate that Far North Holdings are in a secure financial position to be able to offer our tenants rent relief and support them through this event. Although March has seen the end of Cruise Ships for the season, the lockdown has closed our airports, boatyard and painting operations and this with the rent concessions the company has offered its tenants will affect the fourth quarter results but we look to come out the other side of this with full tenancies and optimism for the future.

Significant Variances

Goods sold is \$870k below budget. This is due to the delay in honey sales. The company now has some contracts in place for the sale of honey and is anticipating better future prosperity for this business unit.

Services are up \$371k. This reflects the successful summer the boatyard, painting operations and the marina have all had.

Direct expenses from investment property is under budget as we have not completed some major repair work that was due to happen in March and April. Now with the Covid-19 lockdown and subsequent knock-on effects, this work has been put on hold until the economy recovers.

Depreciation is \$322k over budget. This is mainly due to the depreciation for the Bay of Islands airport being much higher than originally budgeted for.

Project Updates

The Paihia Wharf project has been finished. All major components of the facility upgrade are now completed and operational. The delivery of this project has provided the public and commercial users with greater water space, more berths and better access.

Opua – Kellet Street hilltop residential land was sold. Far North Holdings is now working with the community for the installation of the fitness / walking trail on the new reserve to connecting 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. This is due to be installed by October 2020.

The three apartments above Burnsco, overlooking the marina have now been sold. This has been a long process and we congratulate and welcome the new owners into our community.

The Manea Footprints of Kupe project had been progressing on track prior to lockdown. Windows and flashings have been installed and internal framing, ducting and linings fitted. The building is taking shape and it is hoped that work can be started again as soon as the Government announces that it is safe for the country to move into a lower level and construction can recommence.

The Te Hononga project in Kawakawa was progressing well prior to lockdown. The building and interpretive centre are almost complete, with only a small amount of carpentry remaining. The car park is progressing well with retaining walls being constructed. The artists are preparing the tiles and art works offset ready to install when the site can be opened again.

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.

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
For Nine Months Ended 31 March 2020

	Actual 9 months to 31-Mar-20	Budget 9 months to 31-Mar-20	Actual 9 months to 31-Mar-19
Goods sold	2,270,986	3,140,536	2,153,237
Services	6,446,168	6,074,780	6,316,051
Rental income	2,821,158	2,809,470	2,437,929
Recoverables	360,550	284,204	352,047
Commission	23,500	3,500	5,435
Finance income	8,670	-	359
Total Revenue	11,931,032	12,312,490	11,265,058
Employee benefit expenses	2,250,093	2,154,778	1,820,524
Director compensation	146,108	128,772	127,103
Corporate overheads	296,546	337,001	315,995
Donations	6,245	48,894	48,817
Other operating expenses	2,341,562	2,108,323	2,087,821
Direct expenses from investment property	1,495,315	1,854,873	1,587,133
Inventories	1,995,834	1,927,114	2,035,139
Impairment of receivables	8,148	10,000	(22)
Depreciation and amortisation	787,017	464,796	447,087
Finance expenses	762,828	825,984	657,815
Total Expenses	10,089,696	9,860,535	9,127,412
Operating Surplus	1,841,336	2,451,955	2,137,646
Income tax expense	-	-	-
Profit/(loss) for the period	1,841,336	2,451,955	2,137,646

FAR NORTH HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	31-Mar-20	30-Jun-19	31-Mar-19
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	8,172,816	8,064,046	7,140,988
Retained earnings	32,331,420	31,788,789	30,467,341
	<u>58,504,236</u>	<u>57,852,835</u>	<u>55,608,329</u>
Current Assets			
Cash and cash equivalents	65,327	28,717	2,764
Trade receivables & prepayments	1,354,407	1,437,128	1,741,006
Inventories	1,198,464	1,265,694	1,273,350
Other investments	545,365	743,778	201,605
	3,163,564	3,475,317	3,218,725
Non Current Assets			
Intangible assets	200,000	200,000	201,487
Biological assets	2,403,730	2,403,730	-
Property, plant & equipment	27,117,202	27,079,918	27,477,724
Investment properties	82,359,095	79,152,239	77,868,523
	112,080,027	108,835,887	105,547,734
Total Assets	115,243,591	112,311,204	108,766,459
Current Liabilities			
Current Loans	-	4,374,398	-
Payables, accruals and income in advance	5,674,977	7,221,020	6,988,188
	5,674,977	11,595,418	6,988,188
Non Current Liabilities			
Loans	38,978,418	30,552,240	34,150,397
Deferred tax liability	2,639,824	2,639,823	2,491,938
Income in advance	9,446,136	9,670,888	9,527,607
	51,064,378	42,862,951	46,169,942
Total Liabilities	56,739,355	54,458,369	53,158,130
	<u>58,504,236</u>	<u>57,852,835</u>	<u>55,608,329</u>