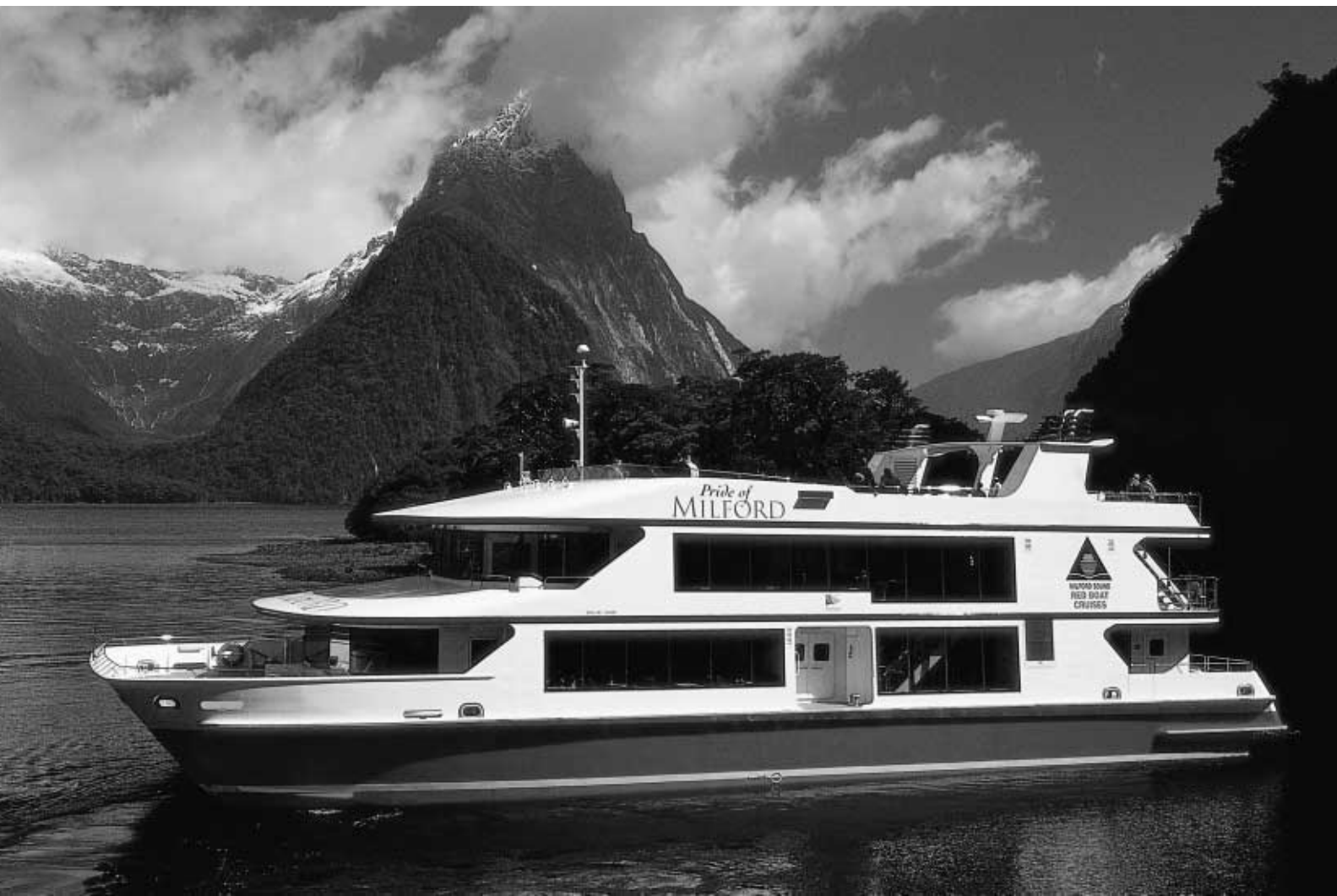


TOURISM
HOLDINGS
LIMITED



interim report
2004



chairman's commentary on results

For The Six Months Ended 31 December 2003

TRADING AND TOURISM MARKET CONDITIONS

The Net Profit After Tax (NPAT) for the six months to 31 December 2003 of \$4.2m is \$1.0m or 19% down on the NPAT of \$5.2m for the same period last year. However, after excluding the NPAT of \$1.4m reported in last year's results from the sale of businesses, unusual items and trading from discontinued businesses, the Net Profit After Tax is 10.5% up on the previous year on a like for like basis.

The international tourism market is now more stable than that experienced over the past three years. The uncertainties created by September 11, the Iraq War and the Sars virus have abated. Whilst world events will always impact international travel the current outlook for the South Pacific and New Zealand in particular, is more positive.

During the period under review the New Zealand tourism market had a slow start, following the Iraq War and Sars virus. Compounding this was a slow start to the South Island ski season and a slower than expected recovery from Japan and Asia to these world events. However the start of the summer high season for New Zealand during November and December has been strong.

Australia had a disappointing six months with low volumes continuing. The overhang of Iraq/Sars events and a weak German economy impacted our Australian businesses. Australia is starting to turn around with forward bookings above last year, however our Australian businesses are still operating in soft markets.

INTERNATIONAL VISITOR ARRIVALS

International arrivals into New Zealand for the year to December were up 3% over last year. International arrivals into Australia for the year to December declined by 2%. Fiji, where THL has a relatively small but strategic

investment, is enjoying increased air capacity thus driving competitive pricing of packages to Fiji.

INTERIM AND SPECIAL DIVIDENDS

With the improved profit, favourable trading outlook and solid cash flows, the Directors have resolved to pay a 4 cents per share interim dividend fully imputed in line with the dividend policy of paying out 60% of NPAT pre goodwill amortisation.

In addition to the interim dividend and consistent with previous undertakings to review the Company's Capital Structure, the Directors have resolved to pay a special one-off dividend of 4 cents per share, again fully imputed. The combined dividend of 8 cents per share will be paid on the 23 April 2004 to shareholders on record at 16 April 2004.

Directors will continue to reassess the Capital Structure of the Company in the light of future trading results, the tourism outlook and our financial position.

STRONG FINANCIAL POSITION

THL continues to focus on maintaining a strong Balance Sheet.

Interest bearing debt increased over the year by 13% to \$64m reflecting an increased motorhome fleet build to cover the high season, reduced disposals and the expenditure on the acquisitions of Black Water Rafting and the Ruakuri Caves concession. The Debt to Debt plus Equity Ratio is very healthy at 31% (last year 30%) whilst the Equity Ratio of 59% compares favourably to 58% last December. Both ratios are net of intangible assets.

Operating cash flow decreased to \$13m from \$18m last year due to increased working capital requirements relative to the prior year.

SHARE REGISTRAR

B K Registries Limited, P O Box 384, Ashburton, New Zealand

Telephone: (+64 3) 308 8887

Facsimile: (+64 3) 308 1311

OTHER INVESTOR ENQUIRIES

Tourism Holdings Limited, P O Box 4293, Level 9, 68 Shortland Street, Auckland, New Zealand

Telephone: (+64 9) 309 1974

Facsimile: (+64 9) 309 9269

Email: info@thlonline.com

CORPORATE WEBSITE

www.thlonline.com

	6 MONTHS DEC 2003 \$M	6 MONTHS DEC 2002 \$M
NEW ZEALAND / OTHER		
Net turnover	50.8	54.4
EBITA	8.3	8.0
EBITA%	16.3%	14.7%
AUSTRALIA		
Net turnover	30.4	34.4
EBITA	3.5	5.6
EBITA%	11.5%	16.3%
CONSOLIDATED		
Net turnover	81.2	88.8
EBITA	11.8	13.6
EBITA%	14.5%	15.3%

EBITA reflects earnings before interest, tax, unusual items, foreign exchange movements and amortisation of intangibles.

CAPITAL EXPENDITURE

In line with the comments made at the annual meeting THL expects capital expenditure of between \$65 - \$70m for the full 12 months. This includes the normal Rentals fleet builds, growth and development expenditure at Waitomo, Red Boats and Kelly Tarlton's. Disposal of motorhomes is expected to realise between \$16 and \$20m for the year.

PLAN FOR SMALL SHAREHOLDERS

There are a number of shareholders (19%) who hold less than 1000 shares, representing in total 1% of the share capital. Your Directors are keen to provide a cost effective manner for these shareholders to preferably increase their shareholding or alternatively dispose of their shares.

This Small Shareholder Plan initiative comprises:

- An offer from the Company to eligible shareholders of the opportunity to increase their holdings or sell small holdings at no brokerage cost to them.
- For very small shareholders who do not

wish to top up their shareholdings the compulsory sale of holdings of less than 200 shares, which is the NZX minimum holding for shares trading between \$1 and \$2 per share.

The Company has agreed to pay Forsyth Barr Limited brokerage fees on all share transactions in connection with the purchase and sale of THL shares under this Small Shareholder offer.

The administration costs to Tourism Holdings of maintaining small shareholdings is high and the Small Shareholder Offer forms part of THL's commitment to reduce shareholder costs where they are disproportionate to the size of the investor. The benefits will exceed the brokerage costs.

Further, from a shareholder's perspective, small parcels of shares can be relatively expensive to buy or sell and hence it may not be cost efficient for a shareholder to increase or sell their shareholding.

Your Directors believe this initiative is in the interest of all shareholders and expects the Small Shareholder Plan to result in lower shareholder costs and a stronger base of smaller shareholders.

divisional commentary

RENTALS

Combined Rentals Earnings Before Interest Tax and Amortisation (EBITA) increased 3% from \$10.7m to \$11m.

Rentals NZ increased EBITA by 49% to \$5.8m on a revenue increase of 14%. This reflected increased volumes in both motorhomes and cars as well as cost reductions.

Rentals Australia experienced lower volumes due to this market's slower recovery from world events and thus

recorded an EBITA decrease of 30% from \$6.4m to \$4.5m on a revenue decline of 12%, mainly from Germanic Europe.

CI Munro, as a result of an upturn in motorhome and caravan builds, increased EBITA 75% to \$0.7m.

Domestic sales in both New Zealand and Australia increased significantly, benefiting from the "Visit New Zealand" and "See Australia" campaigns. The development of high quality websites for the Maui and Britz brands has generated both revenue and cost savings.

As a result of a strategic review of our Australian Rental car operations an agreement to utilise the Thrifty Australia rental car fleet was implemented in December. This sees Rentals Australia market the car fleet through our distribution channels but customers pick up their cars from a Thrifty location. This will improve Rentals competitive position with access to a significantly enlarged fleet of 7,600 cars and 45 branches including, most importantly, airport pickup and delivery.

OPERATIONAL REVIEW (UNAUDITED)

	SIX MONTHS ENDED 31 DECEMBER 2003				SIX MONTHS ENDED 31 DECEMBER 2002			
	TURNOVER (\$MILLION)	EBITA (\$MILLION)	FUNDS EMPLOYED (\$MILLION)	OPERATING CASHFLOW (\$MILLION)	TURNOVER (\$MILLION)	EBITA (\$MILLION)	FUNDS EMPLOYED (\$MILLION)	OPERATING CASHFLOW (\$MILLION)
RENTALS (including CI Munro)	52.5	11.0	184.1	12.5	54.6	10.7	175.7	14.0
EXPERIENCES	14.3	2.7	51.4	2.5	14.3	3.2	44.1	2.7
COACHING	17.5	(0.1)	35.0	(0.3)	17.0	0.9	35.5	2.3
DISCONTINUED	0.0	0.0	0.0	0.0	5.5	0.7	1.1	0.2
CORPORATE	0.0	(1.7)	(2.3)	(1.8)	0.0	(1.9)	5.5	(1.6)
INTER-COMPANY SALES	(3.1)				(2.6)			
TOTAL	81.2	11.8	268.2	12.9	88.8	13.6	261.9	17.6



In both countries the new Aurora Reservation System has improved our customer response time and is providing high quality customer and management information. Aurora is now being developed to achieve Business to Business (B2B) and Business to Customer (B2C) linkages which will benefit both revenue and costs.

Looking forward, Rentals New Zealand is enjoying a very good high season with high forward bookings. Rentals Australia is showing signs of recovery with forward bookings ahead of last year.

COACHING

The coaching operations of Johnston's, Air Bus, Kiwi & Oz Experiences and Fiji recorded a disappointing EBITA loss of \$(0.1)m compared to a profit last year of \$0.9m.

Johnston's EBITA was down due to lower ski shuttle business in the South Island and the soft Japanese market during the six months.

Oz Experiences volumes declined due to the lower number of backpacker tourists into Australia.

A new reservation system has been successfully implemented into Kiwi/Oz Experiences with online agent booking capability from April 2004.

Overall the second six months outlook for Coaching is more positive with trading expected to be consistent with the increased tourist numbers.

EXPERIENCES

The Experiences division EBITA of \$2.7m was down 16% from \$3.2m last year excluding discontinued businesses. This was principally due to the lower tourist numbers from Japan and Asia.

Waitomo Caves is benefiting from the November 2003 acquisition of Black

Water Rafting. This business's integration with Waitomo Caves and our Experiences division has gone extremely well with volumes and profitability ahead of plan. Good progress is being made on the re-opening of the Ruakuri Caves which is currently planned for November 2004.

The upgrading of Kelly Tarlton's has commenced beginning with the replacement of the filtration plant. This is the first stage of a \$12m programme to refresh Kelly Tarlton's as a world class attraction.

Great Sights and Red Boats were affected by the downturn from Japan and Asia and the exceptionally high number of Milford Road closures due to snow and bad weather.

The November launch of the Red Boats "Pride of Milford", on time and within budget, has been well received by our customers and tourists. "The Pride of Milford" has set a new standard of cruising enjoyment at Milford Sound.

The immediate outlook for Experiences is positive with the summer season generating good volumes. The Japanese and Asian markets have returned to higher levels following traveller concerns caused by the Iraq War and Sars. To date the Asian Chicken virus has not negatively impacted this sensitive market.

FUTURE OUTLOOK

The immediate outlook for the company's markets is more certain and favourable than previous years. Whilst we are still trading through the New Zealand high summer season (November to Easter) there has been no world event adversely influencing international tourism. New Zealand is experiencing its best high summer season in the past four years and our New Zealand operations are contributing strongly as a result.

Markets that continue to be strong for THL are the UK, USA and Australian markets. Germany and Europe have been weak but are showing signs of recovery. Japan and Asia have been slow but forward bookings have improved for 2004.

The relatively high NZ/AU exchange rates have had no apparent direct impact on tourism flows to date. The major appreciation has been against the US dollar and not the Euro, UK or Japanese currencies.

Australia appears to be recovering after four disappointing years which were impacted more severely than New Zealand by world events. THL businesses in Australia are positioned to capitalise on this forecasted growth, particularly in the Independent Traveller market.

Provided there is no significant adverse world event, our expectation is for a reported Net Profit After Tax of around \$10m for the full year.

Your Board, Management and Staff have diligently worked over the past six months to improve the financial position of THL. Fortunately this has been during a period of more favourable trading conditions which appear to remain positive for the remainder of the summer high season. The Company is well positioned to grow its businesses in the South Pacific to realise further increased value for shareholders.

Keith Smith
Chairman

24 February 2004



STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)

	CURRENT 6 MONTHS TO 31.12.03 \$000's	PREVIOUS 6 MONTHS TO 31.12.02 \$000's	PREVIOUS 12 MONTHS TO 30.6.03 \$000's
CONTINUING ACTIVITIES			
Operating revenue	82,622	92,578	174,961
Operating expenses	73,317	80,261	154,861
Operating earnings	9,305	12,317	20,100
Interest expense	(2,177)	(2,889)	(4,835)
Interest revenue	246	65	217
Earnings before taxation	7,374	9,493	15,482
Income tax expense	(3,155)	(4,303)	(6,820)
Net earnings after taxation	4,219	5,190	8,662
Share of surpluses (deficits) of associate entities	-	10	-
SURPLUS ATTRIBUTABLE TO THE SHAREHOLDERS OF THE HOLDING COMPANY	4,219	5,200	8,662

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)

	CURRENT 6 MONTHS TO 31.12.03 \$000's	PREVIOUS 6 MONTHS TO 31.12.02 \$000's	PREVIOUS 12 MONTHS TO 30.6.03 \$000's
TOTAL EQUITY AND CAPITAL FUNDS AT THE BEGINNING OF THE PERIOD	169,687	168,169	168,169
Net earnings	4,219	5,200	8,662
Movement in foreign currency translation reserve	(45)	(3,992)	(678)
Total recognised revenues and expenses for the period	4,174	1,208	7,984
Executive share rights scheme	25	185	236
Dividends and distributions	(3,967)	(2,760)	(6,702)
Unclaimed dividends forfeited	-	9	-
TOTAL EQUITY AND CAPITAL FUNDS	169,919	166,811	169,687

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003 (UNAUDITED)

	CURRENT 6 MONTHS TO 31.12.03 \$000's	PREVIOUS 6 MONTHS TO 31.12.02 \$000's	PREVIOUS 12 MONTHS TO 30.6.03 \$000's
EQUITY			
Paid in capital	143,798	143,798	143,798
Convertible notes	-	-	-
Executive share rights scheme	1,517	1,441	1,492
Foreign currency translation reserve	(4,260)	(7,525)	(4,215)
Retained earnings	28,864	29,097	28,612
TOTAL EQUITY	169,919	166,811	169,687
LIABILITIES			
Non-Current Liabilities			
Deferred taxation	6,905	8,349	6,303
Term liabilities (secured)	53,233	45,110	6,947
	60,138	53,459	13,250
Current Liabilities			
Accounts payable	18,424	23,871	19,331
Revenue in advance	4,692	2,714	1,468
Employee entitlements	2,326	1,850	2,579
Tax payable	-	93	-
Current portion of term liabilities (secured)	12,737	13,079	33,805
	38,179	41,607	57,183
TOTAL LIABILITIES	98,317	95,066	70,433
TOTAL LIABILITIES AND EQUITY	268,236	261,877	240,120
ASSETS			
Term Assets			
Fixed assets	204,060	190,605	182,074
Intangible assets	29,775	33,259	32,259
Investments	49	32	49
	233,884	223,896	214,382
Current Assets			
Bank balances	1,976	1,946	2,792
Accounts receivable	22,956	26,344	11,843
Prepayments	3,315	1,754	2,571
Tax refund	827	976	450
Inventories	5,278	6,961	8,082
	34,352	37,981	25,738
TOTAL ASSETS	268,236	261,877	240,120

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)

	CURRENT 6 MONTHS TO 31.12.03 \$000's	PREVIOUS 6 MONTHS TO 31.12.02 \$000's	PREVIOUS 12 MONTHS TO 30.6.03 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers	86,461	91,870	209,799
Interest received	241	65	217
	86,702	91,935	210,016
Cash was applied to pay:			
Suppliers and employees	69,613	69,564	158,265
Interest	1,897	2,875	4,935
Taxation	2,317	1,904	6,518
	73,827	74,343	169,718
Net cash from operating activities	12,875	17,592	40,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets	8,193	21,048	39,010
Sale of investments	-	-	72
Repayment of advances - associates	-	2,449	2,449
	8,193	23,497	41,531
Cash was applied to:			
Purchase of fixed assets	43,083	21,470	37,419
	43,083	21,470	37,419
Net cash used in investing activities	(34,890)	2,027	4,112
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Drawdown of term debt	25,456	-	-
Other	-	9	-
	25,456	9	-
Cash was applied to:			
Repayment of term debt	-	17,781	37,891
Dividends	3,967	2,760	6,702
	3,967	20,541	44,593
Net cash from financing activities	21,489	(20,532)	(44,593)
NET MOVEMENT IN CASH HELD	(526)	(913)	(183)
ADD OPENING CASH BROUGHT FORWARD	2,792	3,150	3,150
Foreign currency translation adjustment	(290)	(291)	(175)
CLOSING CASH CARRIED FORWARD	1,976	1,946	2,792

**RECONCILIATION OF NET EARNINGS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)**

	CURRENT 6 MONTHS TO 31.12.03 \$000's	PREVIOUS 6 MONTHS TO 31.12.02 \$000's	PREVIOUS 12 MONTHS TO 30.6.03 \$000's
NET EARNINGS AFTER TAX BEFORE ASSOCIATE EARNINGS	4,219	5,190	8,662
Plus (less) Non-cash items:			
Depreciation	14,739	15,838	30,287
Amortisation of goodwill and licenses	2,502	2,531	4,974
Movement in deferred taxation	602	144	(2,190)
Decrease in provision for doubtful debts	(348)	42	208
Unrealised foreign currency losses (gains)	-	(22)	134
Executive share rights scheme	25	186	236
Other	-	-	-
	<u>17,520</u>	<u>18,719</u>	<u>33,649</u>
Plus (less) Items classified as investing activities:			
Gain on sale of fixed assets (net)			
Net (gain) on sale of fixed assets	(1,608)	(2,338)	(5,675)
Loss/(gain) on sale of investment	-	256	-
(Gain) on sale of business	-	-	(1,298)
Impairment of carrying value of assets	-	(841)	-
	<u>(1,608)</u>	<u>(2,923)</u>	<u>(6,973)</u>
Trading Cashflow	<u>20,131</u>	<u>20,986</u>	<u>35,338</u>
Plus (less) Movements in working capital:			
Increase in accounts payable	(1,163)	7,696	2,859
Increase / (decrease) in revenue received in advance	3,003	(1,766)	(3,131)
Increase / (decrease) in provision for taxation	48	2,254	2,734
Decrease / (increase) in accounts receivable and prepayments	(11,948)	(12,866)	2,208
Decrease / (increase) in inventories	2,804	1,288	290
	<u>(7,256)</u>	<u>(3,394)</u>	<u>4,960</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>12,875</u>	<u>17,592</u>	<u>40,298</u>

SEGMENTAL INFORMATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)

INDUSTRY SEGMENTS

	TRANSPORT		EXPERIENCES		DISCONTINUED		UNALLOCATED		TOTAL	
	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's
Gross turnover	70,061	71,645	14,279	14,284	-	5,465	-	-	84,340	91,394
Intersegmental turnover	(2,025)	(1,591)	(1,081)	(1,033)	-	-	-	-	(3,106)	(2,624)
Net turnover	68,036	70,054	13,198	13,251	-	5,465	-	-	81,234	88,770
Segment result	10,901	11,695	2,671	3,158	-	680	-	-	13,572	15,533
Corporate costs	-	-	-	-	-	-	(1,739)	(1,868)	(1,739)	(1,868)
Foreign exchange gains (losses)	-	-	-	(128)	-	-	-	-	-	(128)
Amortisation	(2,502)	(2,531)	-	-	-	-	-	-	(2,502)	(2,531)
Net interest expense	(1,358)	(1,629)	-	-	-	-	(574)	(1,196)	(1,932)	(2,825)
Unusual items	-	-	-	-	-	1,997	-	(500)	-	1,497
Executive share rights amortisation	-	-	-	-	-	-	(25)	(185)	(25)	(185)
Net segment result before taxation	7,041	7,535	2,671	3,030	-	2,677	(2,338)	(3,749)	7,374	9,493
Total Assets as at 31 December	219,061	211,206	51,493	44,080	-	1,074	(2,318)	5,517	268,236	261,877

NOTES: The Group is engaged predominantly in the tourism segment in the operations of transport and attractions. Intersegment sales are on an arms length basis.

GEOGRAPHIC SEGMENTS

	NEW ZEALAND		AUSTRALIA		OTHER COUNTRIES		UNALLOCATED		TOTAL	
	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's	DEC 2003 \$000's	DEC 2002 \$000's
Turnover	52,337	55,786	30,499	34,442	1,504	1,166	-	-	84,340	91,394
Intersegmental turnover	(3,043)	(2,624)	(63)	-	-	-	-	-	(3,106)	(2,624)
Net turnover	49,294	53,162	30,436	34,442	1,504	1,166	-	-	81,234	88,770
Segment result	9,817	9,625	3,533	5,634	222	274	-	-	13,572	15,533
Corporate costs	-	-	-	-	-	-	(1,739)	(1,868)	(1,739)	(1,868)
Foreign exchange gains (losses)	-	(128)	-	-	-	-	-	-	-	(128)
Amortisation	(662)	(681)	(1,840)	(1,850)	-	-	-	-	(2,502)	(2,531)
Net interest expense	(781)	(1,414)	(1,151)	(1,402)	-	(9)	-	-	(1,932)	(2,825)
Unusual items	-	1,997	-	-	-	-	-	(500)	-	1,497
Executive share rights amortisation	-	-	-	-	-	-	(25)	(185)	(25)	(185)
Net segment result before taxation	8,374	9,399	542	2,382	222	265	(1,764)	(2,553)	7,374	9,493
Total Assets as at 31 December	172,129	153,373	96,332	100,345	2,093	2,642	(2,318)	5,517	268,236	261,877

NOTES: Other countries include: UK, USA and Fiji.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 (UNAUDITED)

- 1 This Interim Financial Report has been prepared in accordance with Financial Reporting Standard No. 24, 'Interim Financial Statements' and should be read in conjunction with the previous Annual Financial Report for the year ended 30 June 2003.
- 2 The accounting policies are consistent with those used in the previously published Interim Financial Report and previous Annual Financial Report.
- 3 A 4 cent interim dividend and a 4 cent special dividend fully imputed has been announced. Non residents will receive an additional amount under the Foreign Investor Tax Credit Regime (FITC) in lieu of imputation credits for which the Group will receive a FITC entitlement.

SHARE REGISTRAR B K Registries Limited
P O Box 384, Ashburton, New Zealand
Telephone: (+64 3) 308 8887
Facsimile: (+64 3) 308 1311

OTHER INVESTOR ENQUIRIES Tourism Holdings Limited
P O Box 4293, Level 9, 68 Shortland Street, Auckland, New Zealand
Telephone: (+64 9) 309 1974
Facsimile: (+64 9) 309 9269
Email: info@thlonline.com

CORPORATE WEBSITES www.thlonline.com
www.discovernewzealand.com
www.new-zealand.com

DIVISIONAL WEBSITES www.johnstons.co.nz
www.greatsights.co.nz
www.airbus.co.nz
www.kellytarltons.co.nz
www.waitomocaves.co.nz
www.blackwaterrafting.co.nz
www.redboats.co.nz
www.skishuttle.co.nz
www.skiexpress.co.nz
www.skiwi.co.nz
www.new-zealand.com/fiji/ttf
www.maui-rentals.com
www.britz.com
www.backpackercampervan.co.nz
www.cimunro.co.nz
www.kiwiexperience.com
www.ozexperience.com
www.feejeeexperience.com



EXPERIENCES



RENTALS



BACKPACKER TRANSPORTATION

