our
view
today
As thl continues to expand, delivering on our global growth strategy and forecast financial results, we are mindful that our business processes and activities must adapt if the business is to continue to thrive in the next 20 plus years.

In this, our inaugural integrated report (IR), we explain why thl is committed to being a Future-Fit Business and how we are transforming the way we do things to ensure long term sustainable value is generated from the resources we rely on.

Through balancing the expectations of today with the needs of the future, we foresee a bright and promising journey ahead.

Come with us.
Welcome to the inaugural thl integrated report. Two years ago we produced our first sustainability report. We set some goals and reported on what we knew at the time from a sustainability perspective. We now see how little we knew, how small the steps were that we were taking and how our measurement criteria and methods were only the beginning. There is little doubt that in another two years’ time we will look back at this first integrated report and say the same thing again - at least we hope we do, as we need to keep evolving our approach to how we work and what we stand for.

Our intent is to become a Future-Fit Business (FFB). In this report, we will explain the Future-Fit Business methodology, the criteria and the positive impact we expect it to have on thl into the future.

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The need to act

Setting the scene with Professor Will Steffen

July 2019 has gone in the books as the hottest month ever. This follows the hottest June in 140 years and is the latest in ‘hottest ever’ records.

Professor Will Steffen, Emeritus Professor at the Australian National University and Councillor at the Climate Council of Australia, and his 15 co-authors call it our road to “Hothouse Earth”.

The two figures below together give a pretty compelling picture of the huge risks we face and the fact that we are nowhere near having effective climate action yet. Climate science policy alone has been failing, and as businesses we need to step up.

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Collective human action is required to steer the Earth System away from a potential threshold and stabilise it in a habitable interglacial-like state. Such action entails stewardship of the entire Earth System - biosphere, climate, and societies - and could include decarbonisation of the global economy, enhancement of biosphere carbon sinks, behavioural changes, technological innovations, new governance arrangements, and transformed social values.

This is why we are ready to start our change more aggressively and we are doing something different with our voice. This is what you can expect in our integrated report and our actions going forward.

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2. climate.anu.edu.au/about-us/people/will-steffen
3. pnas.org/content/115/33/8252

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For more information see futurefitbusiness.org
A Future-Fit Business is one which is expected to contribute to a Future-Fit Society. A Future-Fit Society protects the possibility that humans and other life will flourish on Earth by being environmentally restorative, socially just and economically inclusive.

The six capitals (ISC) model defines the following capitals (in no particular order) as follows:

- Financial
- Manufactured
- Intellectual
- Human
- Social
- Natural

As we look at these capitals, we consider what inputs and outputs we have against each capital. We have commenced changing the way we report and assess all these capitals internally, our board reporting is changing, our management reporting is changing and all our capital requests are changing to assess new capital spend against all six capitals. This includes our first assessment.

A journey

We know this is a journey, we know we can’t change everything that we want overnight and we are very wary of two risks with our approach.

For the sceptics - there is a risk that we are seen as ‘lefty’ or ‘socialist’, without due mandate. Indeed, we could be accused of using this approach to business as an excuse for underperformance.

To those we would say that we will never use this as an excuse for underperformance or poor decision-making. If we make a decision that affects one capital (financial) in the short term, for a larger benefit to another capital (natural), yet we know the decision will have a long term positive impact on the financial performance of the business, we will make that call. But again, we will not use this as an excuse for short term negative performance.

The decisions need to be clear, linked and purposeful.

For the climate change evangelists - there is a risk that, because we are early in the journey, we may be accused of empty rhetoric and greenwashing without substance and enough action.

To those we would say – yes, this is a journey for us, one where we are prepared to be part of the leadership group, but we are not prepared to isolate ourselves at the expense of the business as a whole. We need to be brave, but take our stakeholders on a journey with us.

Just like every other commitment that we make, there will be some areas in which we succeed and some where we fail - and hold us to account accordingly. We have already failed on some of our goals - we have not been able to enact the degree of change that we desire in other parts of the supply chain. We are learning from that and challenging what else we can do. We are acting now and will continue to do so.

Commitment to an appropriate return on funds employed (ROFE)

As an organisation, the term ROFE is strongly embedded in what we do. It is a very key metric for the business, it has been a driver of long term business performance and it enables us to remain confident that we are managing shareholder funds in a manner which ensures long term financial growth. The focus on the way we integrate and integrated reporting will not change our ROFE target. We remain focused on achieving a ROFE above our cost of capital. As costs of capital change, our ROFE target may change accordingly.

We will always have some areas that don’t provide this return and some which exceed this return.

Those decisions to invest where we know we will not receive an above cost of capital return are considered on the basis that they either will in time or are critical to the broader success of the business. The focus on being an FFB may well challenge us with more requests for capital or spend that has a low or sub-par ROFE. Those will need to be ‘pre-financial’ in nature and not an excuse for underperformance or poor decision-making.
Without a doubt, the largest issue for the year was the significant fall in vehicle sales within the USA market. This had an impact on the total FY19 result for thl and has consequential impacts in FY20.

We have launched the thl Connected Customer Brand globally - our way of connecting all our brands’ customers to more experiences, more often.

In addition, we continue to work with Togo Group to grow the digital offer that we have for our customers (renters and owners).

The New Zealand rentals and sales business had a record year from a financial perspective, with our highest ever EBIT and ROFE. In addition, we also reduced the carbon emission footprint within this business, alongside the financial result.

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REVENUE

$423M (2018 - $426M)

-1%

OPERATING PROFIT BEFORE FINANCE COSTS AND TAX (EBIT)

$62.1M (2018 - $86.6M)

-28%

NET PROFIT AFTER TAX (NPAT)

$29.8M (2018 - $62.4M)

-52%

INVESTMENT IN TOGO GROUP

$12.8M (2018 - $2.7M)

FINAL DIVIDEND

14 CPS (2018 - 14 CPS)

+26%

TOTAL FLEET

6,413 (2018 - 5,731)

+12%

ORDINARY NPAT

$27.9M (2018 - $37.5M)

-26%

NET DEBT (AS AT 30 JUNE)

$202M (2018 - $199M)

+2%

1. Fully imputed in 2018; 50% in 2019
2. EBIT and NPAT inclusive of non-recurring items
3. Year-end fleet quantity
4. Net debt includes $30M proceeds from CITIC placement received on 24 June 2019
5. Represents thl’s share of NPAT losses; FY18 includes Togo Group losses for the four month period from 1 March 2018

HIGHLIGHT

- Ten eRVs launched in our rental fleet in New Zealand in December 2018 and January 2019.

LOWLIGHT

- 4% supplier constraints.
- Slower than expected telematics roll out.

HIGHLIGHT

- Three community impact assessments.
- Very successful crowdfunding campaign in Australia in partnership with StartSomeGood, leading to two great community-led projects.
- Launch of Tiaki Care for New Zealand.

LOWLIGHT

- Four notifiable incidents and lower than expected engagement score.

HIGHLIGHT

- Total thl operational emissions down 3.2% compared to FY18.
- NZ down 21% vs baseline - target reached five years ahead of time!
- In a likely first for a cave experience of its scale, the Ruakuri Cave and Ruakuri Visitor Centre is now entirely off the grid and powered by renewable energy.

LOWLIGHT

- Customer journey emissions up in NZ and Australia compared to baseline year.
Dear Shareholders

On behalf of the Board, I present the accounts for the 2019 financial year. This commentary should be read in conjunction with the opening for our first integrated report.

In this report we take more than just a financial view of the performance of the company. This letter is in sections, which reflect a different approach to the business. We are using the six capitals (IIRC) approach to guide the flow of the review.

It is imperative that as thl commences its journey to be a Future-Fit Business (FFB), we do not use the FFB initiative as an excuse for underperformance. If we score an own-goal, we need to say so and be held to account accordingly; if we are missing capability and don’t address that, the same applies; if we don’t move forward at a faster pace than the competition, the same applies again.

Our financial performance

The Board is not satisfied with the result for FY19. It is down on the prior year and has ended a long run of growth in profitability. thl has the opportunity and responsibility to make further gains in profit. The ethos is be better than the rest and ensure growth, taking external factors into account but not as excuses.

If we don’t, we risk dismissing what is working well and destroying the culture which has enabled the business to succeed in recent years.

In this regard we recognise that the USA sales market is well down and all competitors are affected. We have to anticipate better and react more decisively. We also recognise that we have chosen to invest in Togo Group (formerly branded as TH2) for the future. This has short term costs which we must control and which will only be justified by results yet to come. There are businesses within thl where we had record-breaking financial results. In those we aim still higher.

The balance of these two positions is well summarised in management’s mantra for the FY20 year.

Don’t Stop.

Change.

Deliver.

Don’t stop refers to our broad strategic direction. We are on a global growth journey in a growing industry segment, with an appropriate digital development arm. It is important to reflect and assess the strategy of the business when the market and results change. We have done that and reaffirm our direction as a company. We won’t stop progressing.

Change where required. The USA business is the area subject to the most significant change in the coming year (a process that commenced months ago). Where we are underperforming, we must change, with speed and accuracy.

Deliver. There are no excuses for not enacting plans that have been agreed and are within our area of control.

The numbers

The NPAT result of $29.8M was down on the headline number of $62.4M in FY18; that earlier result included the one-off gain of $24.3M associated with the creation of the Togo Group. Without that one-off gain, the result was down 26% on the prior corresponding period (pcp).

The operating earnings before interest and tax (EBIT) for the 100%-owned thl businesses delivered a result of $62.1M compared to $63.5M in FY18 excluding one-off gains. In the context of a major downturn in the US market, a good result.

Vehicle sales is the key issue impacting the business performance. This issue is covered in some detail throughout the report. The total sales for the year were down 515 on the 2,408 we sold in FY18. The situation is different in the separate markets.

"We are on a global growth journey in a growing industry segment, with an appropriate digital development arm."
Manufacturing capital

This capital focuses on the equipment and tools that we own and use. Within thl, the manufacturing of motorhomes is an obvious application; however, we also consider our locations, other assets and acquisitions where physical assets are the core.

This year we commenced the first life cycle assessment of our motorhome assets. We have not been able to complete the assessment as planned in FY19, due to difficulties getting the necessary quality of assessment data. We have work to do with our supply chain partners and we need to improve the quality of information we accumulate internally. We do know, from the work conducted, that we are producing a high quality product in New Zealand and Australia. We produce to a high commercial grade from the work conducted, that we are improving the quality of information we have to continue to improve our position.

Human and intellectual capital

Within thl there is essentially someone working in the business 24/7, across the globe. We are a diverse business and need to do more to explicitly recognise that diversity.

For the first time, we have included some more statistics on diversity within the report and we will use this transparency to continue to improve our position.

Governance

The Board is a key part of the human capital of any business. Like all other assets it must contribute net value. This has to be reviewed regularly. We are proposing to make some changes to enhance the net value added by the Board. We currently have eight members, which is more than we require to be effective. It happens that Graeme Wong - our longest serving Board Member - will retire at the Annual Meeting in October. Graeme has served many roles whilst on the thl Board, since he joined in 2007. I would like to thank Graeme for his contribution over many years and look forward to acknowledging his contribution at the Annual Meeting. We will not replace Graeme.

To enhance value we have adapted the manner in which the subcommittees operate - to create greater engagement across the management teams and enable directors with specific skills to contribute more.

At the Annual Meeting, we will also be discussing how we may be able to further improve the assessment and skills of new and current directors in the future. In short, we think there needs to be a higher degree of challenge and assessment of directors in all publicly listed companies and we are willing to take a leadership position in this regard. I will be making some proposals for discussion over the coming year to give effect to this.

Our shareholders provide us with the financial capital we require to proceed, but can also have a place as a human capital contribution. Our largest shareholder, HB Holdings Ltd, a wholly owned subsidiary of CITIC Capital International Tourism Fund (CITIC), have now joined the Board and we are confident they have networks that we can leverage and a commitment to thl's growth strategy.

On behalf of the Board, I would like to thank the thl team across the globe. As with many operational businesses, we have challenges every day because things just don't always go to plan; we are human. The response of the thl crew to those challenges is to be applauded.

Social and relationship capital

Social and relationship capital is most closely related to supply chain relationships, community acceptance, government relations, relationships with competitors (e.g. coming together to develop industry standards) and customer loyalty; commonly described as having a social licence to operate.

Our customers and staff engage with communities across the globe. That is the nature of our business. They visit far more locations than we have branches and, apart from Waitomo and Kiwi Experience, they are essentially on their own - we have no direct control over what they do and when they do it. They are free and independent customers.

We have a responsibility to understand what impact our customers have on the community, and in FY19 we commenced three community impact assessments.

From a government relations perspective, we are still very New Zealand-centric. We are engaged with the government in a number of areas and we appreciate the opportunity to lend our experience and resource where we can. In the last year we were engaged in the government working group on responsible camping, continued our work with NZTA on the visiting driver project and worked with government and industry teams on the development of the Taiki Promise. The benefit of working in this manner in New Zealand is that we are small enough that we can gain traction and create a model which may be transferable to other nations.

We have a number of examples where we have had a small impact on the thinking of other jurisdictions, but it is a work in progress.

Natural capital

Historically, the key focus for sustainability efforts has linked to the natural environment around us is profound.

From a thl perspective we have some clear goals to reduce carbon emissions, as the largest single impact we see that needs addressing with urgency. This is where the greatest R&D effort is being targeted. We have 10 electric vehicles in New Zealand and other trial product, including repowering and new build (pVp) from a base “glider” chassis (a cab and chassis supplied with no engine or drive train). Whilst we will continue to invest ourselves, we also need to maintain as much pressure as we realistically can within the supply chain to access product which meets our objectives. We aren’t an automotive vehicle manufacturer.

The Waitomo team do much to protect and improve the natural environment in which we operate. We have a comprehensive cave management plan, an external cave advisory group and we engage closely with the owners of the caves in which we operate. During the past year, the Waitomo team opened a new Ruakuri visitor centre onsite at Ruakuri.

With the Holden Family, we took the opportunity to explore solar power for this site and cave. We understand this is the first New Zealand visitor attraction of this scale to be solar powered. We have also completed some fantastic past eradication with the Department of Conservation in the Ruakuri Scenic Reserve.

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The FFB framework will guide us on the measurable actions which will ensure we are net contributors to the environment.

Where to next for thl?

We have an opportunity to leverage what we do well to ensure global growth in a genuinely sustainable manner.

We monitor forward bookings closely and maintain tight control on capital spend as we monitor vehicle sales. With the recent capital raise we are also confident that we can continue to look for the right kind of acquisitions while keeping prudent leverage.

The current core business performance (noting the current USA issues), investment in Togo Group, the FFB initiative, the global growth strategy and ongoing focus on delivering an appropriate return to shareholders provide us with confidence in the future for thl.

I look forward to engaging in conversation at the Annual Meeting in October.

Thank you to all those who have supported us over the last 12 months.
"We must as a team, stay focused on what we need to do differently. The ongoing renewal of our thinking and approach is the key. It is the hallmark of thl - and we are ready to change again as we need to."

The management team within thl would agree with the comments from the Chairman and the Board regarding the FY19 result. It was simply not good enough; market conditions aside, we did not react to the vehicle sales market shortfalls in the USA strongly enough, given how sustained the downturn in dealer sales, in particular, has been. We haven’t seen anyone perform well in the last 12 months in the USA RV market; however, again, that’s no excuse.

We must as a team, stay focused on what we need to do differently, what we do well, and what we do that we must stop doing. The ongoing renewal of our thinking and approach is the key. It is the hallmark of thl - and we are ready to change again as we need to.

Within the result there are some key highlights for the year as well, which we should celebrate - they reflect the hard work of the crew over the last few years. Of particular note, the New Zealand rentals and sales business had a superb result. The EBIT of $31.5M was 23% - up on the prior year - they were delivered as a result of good marketing, customer focus and operational cost control.

thl has, for many years, been a business that has a high level of activity and work rate. The past year is no exception.

• We delivered a lot of technology development, and will have more in FY20. Of note, New Zealand and Australia have a new fleet scheduling and management system, which has provided positive efficiencies within both businesses.

• Customer metrics improved within the business. We are at a point where we need to review all the channels from which we receive information from customers and what we do with that information and how we measure our performance more broadly than we do today.

• We have made strong progress from a sustainability perspective. A highlight for the year was the opening of the new visitor office at the Ruakuri Cave. As part of that project, our landlords wanted to work with us to achieve a 100% solar powered option at the caves. We have achieved that for the visitor centre and the operation of the Ruakuri Cave. The next steps in our journey are clear within the core of this first integrated report.

• Within our joint venture manufacturing business, we purchased Fairfax Industries in New Zealand - a long established market leader in the creation of refrigerated trailer units. This acquisition will be very synergistic for the core rentals, vehicle sales and manufacturing businesses. Look out for a new RV Super Centre at that Takanini site in FY20.

• Togo Group created a new Australasian partnership, selling in our CamperMate and other related businesses in NZ and AU to Outdoria. As a result, Togo Group is the largest shareholder of Outdoria, along with Discovery Holiday Parks, Gerry Ryan (owner of Jayco RV manufacturing business) and the Marketplace technology company.

Capital raise
This was the first capital raise of this nature for thl. The rationale was well covered in the documentation at the time; however, it is worth reiterating the key points and our views post the conclusion of the raise.

The rationale was threefold. Firstly, we had a desire for the FY19 and FY20 investments in Togo Group to be from equity. Secondly we have a number of smaller M&A opportunities that we want to continue to explore with flexibility. And, thirdly, we wanted to ensure that we had a lower debt position, given the global economic uncertainty. As at the 30 June balance date, net debt was lower than forecast, as we had received the funds from the $30M placement to CITIC. Our net debt EBITDA ratio post the capital raise is around 1.9x, however it moves monthly due to fleet purchases and sales.

We were very pleased with the support we received for the capital raise and, in particular, the price achieved within the shortfall book build (a $0.48 premium to the rights offer price of $3.40 per share). Institutional investor support was strong within the raise.

"There are some key highlights for the year - they reflect the hard work of the crew over the last few years."
As a company, we are very aware of the need to use shareholders’ funds effectively and ensure we optimise the capital structure of the business over the long term.

USA review
The trading conditions and thl performance within the USA market has been the greatest area of concern for the business in the last 12 months. The business remains a primary area of focus as we move into FY20.

We have been detailed in our provision of information to you, as shareholders, regarding our plans for improvement in the USA. We are currently on track with the activity, which we directly control. Fleet purchases for FY20 will be on track or lower than the expected $23.8M we detailed in our update. Two locations have been publically announced as closing and we are in the process of reviewing further sites, as indicated in the USA review. Changes to teams and leadership roles are well underway. Our focus on growing the international customer mix is working, with strong growth in the 2019 calendar year high season in particular within El Monte RV.

The results in the USA are not acceptable today and, indeed, the FY20 result will be down on FY19, as we will be holding higher fleet volumes in FY20. Accordingly, we are reducing fleet purchases in the USA this year by US$40M, and are expecting to generate positive operating cash flow of approximately US$35M. We are focused on whatever business model change we may need to make.

Road Bear RV and El Monte RV fleets are now interchangeable and the support structures are moving closer and closer together.

Togo Group
You will have seen in this report that we have rebranded TH2 as Togo Group. The change, led by our new CEO Danny Hest (commenced January 2019), has already assisted in aligning internal teams and external channels to market. Within the group, the Highway and Roadtrippers businesses remain as individual brands, given the place they hold in their respective markets and greater relevance to their consumer segments.

Roadtrippers has had a positive FY19 when comparing to our targets. User growth has been strong but, more pleasingly, the subscription revenue generated from Roadtrippers Plus (the consumer paid version of Roadtrippers), has exceeded our initial expectations. Long term success will come from an ongoing development of the core product offer, a strong extension deeper in the RV or camping category and maintaining a value proposition to customers that ensures ongoing use and renewal of membership from year to year.

Roadtrippers has a large customer base and a strong product. Togo RV itself launched on time in the USA during the year. The initial feedback and user numbers exceed expectations, however we didn’t create the stickiness and depth of engagement required. The product roadmap has been reviewed and Danny has taken this team closely under his responsibilities to ensure success.

Overall we remain very committed to the Togo Group. We have missed some development targets and the Togo product did not deliver to expectations in phase one; however the size of the market opportunity hasn’t changed, there has been nothing concerning from a competitor standpoint and we know we are providing solutions which resonate with customers; to receive the subscription fees we are targeting, we need more functionality live and to deliver the product more simply. The roadmap is clear; we just need to deliver.

FY19 financials

The NPAT of $29.8M was down on last year on a like-for-like basis. This was driven by the USA and, as mentioned, a primary focal point. The ROFE for the group was 12.9%, compared to 15.3% in the prior year.

Again, the USA is where the decline was most prevalent. We expect ROFE to improve this year, as we have reduced the purchases of fleet; we will be driving vehicle sales hard and expect to generate strong operating cash flows from the business.

Net debt at 30 June was $202M. This compares to the prior year end figure of $199M; however, the $203M of funds from the CITIC placement had been received just before year-end. The letter of credit facility we have with Action Manufacturing was $17M, compared to $16M last year, which shows an improvement in the level loading production capabilities and that the management within Action.

Capital expenditure

During the year we had capital expenditure of $197M. Nearly all of this is on fleet renewal and growth. This is down on the prior year figure of $209M. The disappointing element of the year was the timing of the shortfall in sales in the USA. The sales decline commenced just after we had placed our orders for the coming year and, thus, we have been over-fleeted for a longer period of time than we would normally expect in such a situation.
Expected gross capital expenditure in FY20

$135M - $145M

Had we anticipated the shortfall more astutely, or had it commenced two months earlier, we would have been able to adjust within FY19.

This year we will see purchases decline as we adjust fleet, release capital and generate positive operating cash flow for the business (particularly from the USA). The expected gross capital expenditure for the year is in the range of $135M to $145M.

Dividends
As clearly indicated in previous public statements, we have committed to a 14cps final dividend for the year (50% imputed). The total dividend of 27cps for the year is in line with the prior year, which was a record pay-out for thl. We have also noted that in FY20 we will be considering the dividend pay-out, excluding the investment in Togo Group. We believe this makes sense, given the equity we have raised for that business and the expectation that the business will provide significant returns in the future; it is a deliberate investment, not an existing business with operating losses.

We will announce the FY20 interim dividend in February 2020 with our results release, as we have in prior years.

Outlook
There has been little change in our expectations or views on each market since the information we provided with the capital raise in June. The broader economic conditions from our perspective are uncertain; however, we are yet to see those play out in any concerning manner within the rentals business. Forward bookings for the New Zealand and Australian businesses remain positive compared to the prior year. The first trading month of FY20 has been positive for both those businesses. The recreational vehicle sales market in New Zealand appears consistent, although we are seeing a slowing in the number of imported vehicles into this market, which we see as positive. Although the vehicle sales market in Australia is tough, we are well positioned and believe that we are gaining share. We hear concerns about declines in caravan sales in the market, which affects some of our competitors. This is not seen as significant for our business and likely reflective of the broader consumer sentiment in the market.

Within the USA we have continued to see slow dealer sales for product. The rationale of dealers being overstocked should now be historical, as we would expect dealers to have cleared excess inventory or they would be facing serious cash flow issues. We are aware of some cases where certain model types have been difficult to sell compared to prior years. There is, however, a reduction in retail sales and this has been clear in the public information from other RV stocks listed within the USA. The decline remains around 10-15%. What we know is that this has created a situation where dealers are operating much leaner inventory levels than they have in the past and, in some cases, they are reducing range. We have planned for this lower demand environment for wholesale sales in FY20. As previously mentioned, we expect the USA results in FY20 to be down on FY19 as we clear excess fleet.

It is worth noting that Road Bear RV has achieved between 18-27% ROFE since we purchased the business in 2010. We have been able to do that with much lower fleet sales and peak rental fleet than we have today and we are confident we have a business model that is sustainable in the long term. We can and will deliver those kind of results again. The El Monte RV business needs more work and combining the two to a greater extent will enable the cost leverage we need to succeed. With high season still not complete in the USA, and the key booking seasons not yet upon us for Australia and New Zealand, it is inappropriate for us to release a target NPAT range for FY20 at this point in time. As with prior years, we will provide some more information at the Annual Meeting in October.

More broadly, we are confident in the medium and long term outlook for the wider tourism industry and specifically the RV industry. There are some macro-economic signals that suggest the short term could be more challenging. Our position in the rental market remains positive, as is our outlook. The internal activity level is very high as we implement the FY20 plans including all the Future-Fit Business Goals.

Summary
We remain focused on growing globally and continuing to leverage the resources we have to maximise competitive advantage and scale within our industry segment.

It has been a record year in the largest part of the business, but a very difficult year in the USA. We will remain focused on delivering strong returns, growth and, importantly, improvements in how we operate and position ourselves within the market.

Finally, it is very important to acknowledge all the crew within thl. We have a tough operational business that has had some good successes over the past few years. I know there are many of the team who are disheartened by some of the results in the last year and I applaud the concern, but also know from the past that the team is highly resilient and are focused on delivering the changes required to improve. I also congratulate those crew who have been part of the businesses within thl that have had record results. Indeed, thank you to all the team for the huge efforts in FY19 and the preparations for the coming year.

I look forward to the Annual Meeting in October, where we will be able to provide more details on what we expect next for thl.

Grant Webster
CEO
At thl “being sustainable” isn’t just about following a trend. It has always been about being a responsible operator. The question that we have asked ourselves from the beginning is, what defines a responsible tourism operator?

In 2014, when we started to weave sustainability into our key strategies, we asked our stakeholders what our focus should be. Their responses fell broadly into these focus areas:
- Climate change.
- Responsible travel including safe driving and responsible camping.
- Embracing our communities.
- Nurturing our crew.
- Shareholder satisfaction.

We agreed, and incorporated these into the thl sustainability framework of Protect, Respect and Grow. We followed best practice, involved our stakeholders in every step of the process through materiality assessments (available https://2018.thlsustainability.com/Stakeholders), completed baseline reviews and audits, and set ourselves targets which were stretching and ambitious. Whilst we were happy with the progress, we also realised that society and the environment needed more. Not just iteration, but bold steps that lead us to becoming a business that by virtue of its operation, does good. Through this process we discovered the Future-Fit Business Benchmark (futurefitbusiness.org). Viewed through the Future-Fit lens, our Protect, Respect and Grow framework gets a whole new meaning. ‘Growth’ becomes synonymous, not just with increased profitability, but with increasing trust, greater equity, wellbeing and healthier ecosystems where we operate. In this way, the more profitable we are, the better it is for everyone. Not only for our shareholders, but for society as a whole.

*From ending poverty and reducing inequality to tackling climate change and working to preserve our oceans and forests, humanity faces a number of global challenges. Today, investors are realising that companies have the power to address these critical challenges, but bold action must be taken.*

Hermes Investment Management Quarterly Impact Report Q4 2018 hermes-investment.com

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**The path to Future-Fit**

1. Assessing company performance relative to a past year doesn’t tell us where its going.
2. A focus on best practice by sector (e.g. current ratings) only drives a race to be ‘least bad’.
3. Progress toward short term goals matters only if they contribute to the right long term aims.
4. For the full story we must assess progress toward and beyond an extra-financial break-even point.

**The thl path to Future-Fit**

- 2019 WTTC awards finalist – compared to other tourism businesses
- Targets against baseline 2016
- thl global operations
- 2016/2020 community partnerships to create shared value

1. wttc.org/tourism-for-tomorrow-awards/winners-and-finalists/winners-and-finalists-2019#tourism-holdings-limited
The 23 Break-Even Goals

The Future-Fit Business Benchmark is a science-based tool that underlies this philosophy and helps us pursue the vision. All businesses must at least Break-Even to ensure that they are in no way slowing down society’s transition to Future-Fitness.

Every Break-Even Goal has a clear set of indicators to measure, manage, and explain its progress. Beyond Break-Even (or cause no harm), a business should seek to be a force for good in the world. The Benchmark provides 24 Positive Pursuit Goals as well, which work in a similar way and act to speed up society’s transition to Future-Fitness.

Our progress so far

FY20 will be used to do a full, in depth assessment per business unit following the scientific indicators and data measure, to give an exact indication per goal of where we stand and how far we have to go. Although, right now, we don’t have all the data we need to make a complete assessment, indications currently show we are around 30-40% along on our journey.

For thy this only reinforces the need for urgent action. We have to improve by over 60% to become Future-Fit. There is nothing as inspiring as some real constraints and stretch goals - so we have started our journey and are looking at what these goals could mean for us specifically.

Drivers

Implementing supply chain hot spot assessment processes safeguards the pursuit of Future-Fitness. Fully roll out code of ethics training to all crew and add to yearly review. Audit certification that right tax is paid in the right place at the right time. Implement lobbying policy and controls according to the FFBB. Adopt a Future-Fit investment policy and screen assets against this.

Energy

Installing solar at our branches, or changing power suppliers to those with greener sourcing.

Waste

Waste audit and waste reduction plans until all operational waste is eliminated.

Physical presence

Site reviews for all operations to list and plan local communities and natural ecosystems that are likely to be affected by our presence and activities.

Pollution

Site reviews for all workplaces to list and plan removal of operational emissions resulting from substances used or created by our operations. Example: replace our cleaning chemicals. Eliminate all greenhouse gases that are produced by in-house activities and our energy consumption. Example: remove diesel/bio heaters. Redesign all our vehicles to use electricity instead. Example: evolve. In depth reviews of all the products and services we sell to ensure none of the materials used cause harm to people or the environment. Example: replace all our brakepads with low copper.

People

Implement mechanisms to pre-empt, identify, assess and manage community concerns. Example: Branch Managers attend monthly local community meetings. Continue to implement global processes for physical safety in the workplace, mental wellbeing, physical activity, nutrition, smoking and support for lost time. Review the transition to FFBB living wage per location in preparation for a move towards this goal. Assessment of global employment terms, including working hours, holiday and parental leave. Anti-discrimination awareness through internal training roll out + review of at risk groups.

Between May and July we have incorporated these goals as assessment points in our new business plans. From FY20 Future-Fit Indicators will be a consideration in our monthly reporting. Whilst we are working to prioritise the implementation of the goals, it also means that from now on we will consider the 23 Break-Even Goals against all new initiatives.

Measure effectiveness of processes to address crew concerns are actively solicited, impartially judged and transparently addressed. Marketing review of all product communications against FFBB criteria to ensure they are honest, ethical, and promote responsible use. Review product concerns mechanisms per user group against Future-Fit criteria.

Drivers

Implementing supply chain hot spot assessment processes safeguards the pursuit of Future-Fitness. Fully roll out code of ethics training to all crew and add to yearly review. Audit certification that right tax is paid in the right place at the right time. Implement lobbying policy and controls according to the FFBB. Adopt a Future-Fit investment policy and screen assets against this.
**thl at a glance**

896,853

Total customer experiences delivered in FY19

**UK**

- Equity Investments:
  - ~90 employees
  - ~330 vehicles
  - 4,000 customer experiences delivered

**Southern Africa**

- Franchise Operation
- Brands:
  - maui
  - KEA
  - mighty
  - RVSC
  - ~150 employees
  - 1,641 vehicles
  - 74 million kilometres travelled
  - 74,000 customer experiences delivered

**Australia**

- Brands:
  - maui
  - mighty
  - RVSC
  - ~900 employees
  - 2,332 vehicles
  - 716,000 customer experiences delivered
  - 94 million kilometres travelled
  - 21,455 tours taken

**USA**

- Employees
- ~400

- Vehicles
- 2,440

- Kilometres travelled
- 60 million

- Customer experiences delivered
- 102,000

**Japan**

- Franchise Operation
- Brand:
  - maui
  - KEA
  - ~150 employees
  - 1,641 vehicles
  - 74 million kilometres travelled
  - 74,000 customer experiences delivered

**New Zealand**

- Brands:
  - maui
  - mighty
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How we create value

Our definition of ‘value creation’

thl is focused on establishing itself as global leader in the RV ecosystem. Last year we introduced our business model, ‘the sum of our parts’. This year we put this into the six capitals context and we ask ourselves ‘what capitals do we use to create value, and what are the impacts of our activities on those? How can we create value across all?’

With this updated view, we want to show the inputs that we have taken for granted in our business model and we aim to show how the tangible and intangible assets help create and impact on value for thl and the wider system in which we operate. It will also show the current negative sides of our choices, where we are reducing value because of the way we operate. Our move to Future-Fit will help with defining this and turning these impacts around.

Inputs to create value

- **FINANCIAL**: Our access to capital and capital expenditure. See financial statements for more detail.
- **MANUFACTURED**: Our RV build, buses, roads and other infrastructure needed to create a customer journey; the buildings we operate from, and the technology we build and use to drive efficiency.
- **INTELLECTUAL**: Our expertise in being a global RV operator, R&D, innovation and continuous training to increase knowledge around the globe, data science and improved reporting, governance and policy frameworks, SOPs and life cycle assessment project.
- **HUMAN**: Leadership development, our crew’s time and effort; talent acquisition, development, retention.
- **SOCIAL**: Our collaborative stakeholder relationships, including industry, regulatory, iwi, crew, community and supply chain.
- **NATURAL**: We rely on natural capital to create experiences that people travel with us for. Waitomo Glowworm Caves specifically in regards to biodiversity. We rely on water, air and land to be able to operate.

Our business

- **ENGAGING NEW TRAVELLERS**:
  - DIRECT
  - WEB AGENTS
  - TRADE

Outcomes and impacts

- **SATISFYING OUR SHAREHOLDER VALUE**: We generate sustainable, profitable shareholder value and financial stability. We provide dividends to shareholders and target business value growth.
- **OPTIMISING OUR OPERATIONAL EFFICIENCY**: We create an optimised RV-centric ecosystem including innovation in RVs and other vehicle builds, like ambulances. We implement, maintain and innovate infrastructure in and around the caves, branch locations and the operational spaces around it. We create new technology that improves RV experiences.
- **LEADING THE WAY WITH NEW IDEAS AND TECHNOLOGIES**: IP like the eRV and new materials that we have used to make it more lightweight. The design IP for RV and our digital IP from Togo Fleet, Togo Insights, Power BI reporting, data science, analysis and insights and integrated strategy.
- **ENABLING OUR PEOPLE TO DEVELOP, GROW AND BE WELL**: A highly skilled and engaged workforce, a safe working environment. We give crew who work for us a chance to add to their experience and knowledge, but also take away through stress, inflexible work hours (for a part of our crew). We are employer of choice in Australia.
- **RESPECTING AND EMBRACING OUR COMMUNITIES**: Collective agreements with organised labour, positive and negative impact on communities and supply chain, like other tourism businesses and overall industry. Being part of the leadership group for the Tiaki Promise.
- **PROTECTING AND ENHANCING OUR ENVIRONMENT**: Negative climate impact due to our customer journey emissions. Impacts on landscapes and ecosystems as operations are not neutral in regards to waste, water use and power. Positive through beach clean ups with Kiwi Experience, planting trees in Waitomo and maintaining health of glowworms in Waitomo.

[$ 332X334] ACCESS

[$ 332X334] BUILD/BUY

[$ 332X334] RENT

[$ 332X334] SELL

[$ 332X334] P2P

[$ 332X334] PROPRIETARY EXPERIENCES

[$ 332X334] ENHANCE TECHNOLOGIES WITH TOGO GROUP

[$ 332X334] ENHANCING THE thl STANDARD
Future-Fit Business success begins with an idea. That idea gathers momentum to become a strategic goal, which in turn galvanises our collective will as a business. At thl, we’ve reached that point; we’re energised to be a force for good.

As we progress to Future-Fitness, we must hold ourselves to account; break down our goals into actionable steps; be clear about what we want to achieve and how we measure it; and then ‘do’. Only by committing to specific, definable Future-Fit actions can we chart our progress and measure our success.

Here’s how that looks for us so far.
Optimising our operational efficiency

We introduced the world’s first 100% electric motorhome to our NZ fleet. Ruakuri Caves became solar powered, and we created a new way for our crew to connect across the globe.

Goals (short/medium term)

The goals from FY19 that will have an ongoing impact on operational efficiency are:

- The implementation of telematics in New Zealand by 2020.
- The implementation of telematics in USA to be completed in FY20.
- 5% of vehicles in our motorhome fleet to be low emission by 2020.
- Develop Togo Group into a globally successful set of businesses and be the digital platform for the RV industry.

In addition, for FY20 we have committed to:

- Implement Togo Fleet globally in 2021.
- Maxmise the Dynamics 365 functionality across the group in 2020.
- Review motorhome build and all other products with Future-Fit Break-Even Goals in mind.
- Design and build our new Queenstown site in line with Future-Fit Break-Even Goals.

Through our commitment to Future-Fit Business Goals, THL will continue to innovate with products and processes that cause no harm.

By investing in our manufactured capital we will commit positively to achieving these Future-Fit Business and Sustainable Development Goals:

- FF04 Procurement safeguards the pursuit of Future-Fitness.
- FF05 Operational emissions do not harm people or the environment.
- FF07 Operational waste is eliminated.
- FF17 Products do not harm people or the environment.
- FF18 Products emit no greenhouse gases.
- FF23 Financial assets safeguard the pursuit of Future-Fitness.

How we are performing

In FY19 we delivered the following:

- We successfully introduced 10 electric Britz eVolve motorhomes into our fleet this summer. We now have the critical insights we need to guide decision-making for electric vehicle product development, operations, retail sales and marketing. Our future fleet looks exciting. We are just starting - there is more to do.
- We learned that our eRV ambitions are ahead of our suppliers and we are dependent on them providing us with the electric chassis needed to make our goals. We added conditions in last year’s RFP, and are trying to push ahead as fast as we can but, in the end, we cannot do this if the RV ecosystem has not caught up.
- Togo Group has successfully implemented its first fleet modules into our operations. The beta version of the Togo RV Companion application was released as planned.
- The implementation of telematics in New Zealand is on track to be completed in 2020.
- The implementation of telematics in USA is planned to be completed in FY21.
- We learned that our eRV ambitions are ahead of our suppliers and we are dependent on them providing us with the electric chassis needed to make our goals. We added conditions in last year’s RFP, and are trying to push ahead as fast as we can but, in the end, we cannot do this if the RV ecosystem has not caught up.
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- The implementation of telematics in New Zealand is on track to be completed in 2020.
- The implementation of telematics in USA is planned to be completed in FY21.

Optimal operational efficiency is just good business for THL - good business creates value and positions us to be able to take advantage of global opportunity, while thinking and acting with responsibility and being mindful to minimise impact on all local environments. We call this our manufactured capital.

So we innovate, we think differently and we ask, “how could this be better; for the business, for the community and for the planet?”

Then we act - we build better RVs, but we are only just starting (and whilst we are limited by suppliers to some degree, we will push where we can.

Utilise technology to support growth

Technology continues to be a strong focus area for our diverse operations, it supports our growth and helps THL to be more efficient, enabling us to provide a seamless and consistent customer experience. We will also continue to utilise technology to drive down our overall emissions, promoting more responsible and safer travel.
CASE STUDY

Welcoming 100% electric to our RV fleet

During FY19, thl introduced 10 electric motorhomes to the New Zealand fleet. Called the Britz EVolve, this 2-berth motorhome is 100% electric powered and comes with pre-curated itineraries and a mobile application with electric vehicle (eRV) charging station locations. The Britz EVolve is available from our Mangere and Queenstown branches.

By far the biggest concern for our travellers with a 100% electric RV is ‘range anxiety’ - ‘Where do I charge? How do I know I have enough range to travel?’ These are valid concerns as the development of charging facilities and EV infrastructure scrambles to keep pace with the demand for electric-powered road travel.

Our approach was to develop the necessary infrastructure in partnership. We installed 25 charging units in North and South Island holiday parks with Holiday Parks NZ and ChargeMaster and established a funding partnership with the EECA (Energy Efficiency and Conservation Authority). We developed comprehensive, yet easy-to-read guides to driving and charging an eRV and integrated eRV charging sites into the thl version of CamperMate, which is available on mobile devices.

Our itineraries promote a more localised experience and are curated in conjunction with local communities and tourism partners, unlocking ‘off the beaten track’ opportunities for customers to experience the people and places of New Zealand.

This initiative has given us a deep understanding of the global EV ecosystem. It has allowed us to develop a deliberate and thoughtful model to assess why, how, and when to explore future eRV opportunities going forward.

The knowledge we’ve acquired allows us to consider the fleet business model the capital requirements and potential outcomes. We will continue to test how we can manufacture more efficiently, reduce costs, waste less, and lessen our, and our customers’, overall footprint. Whilst we are limited by suppliers to some degree, we will push where we can.

At the same time, we’re gaining valuable IP.

“New Zealand is doing really well, every 70km on 90% of the highway network you can find a fast-charger. And with this I can fully charge the car in two hours. The first two days of driving the Britz EV camper have been a joy. The range of 120km is plenty to make it from fast-charger to fast-charger almost every 70km there is one, which is really good! I have not experienced this density in any country I’ve been to before.”

Wiebe Wakker - Plug Me In

Wiebe Wakker is travelling the world by electric vehicle. His Plug Me In quest is a purpose-driven adventure with the aim to inspire, educate and accelerate the transition to a zero carbon future.

plugmeinproject.com
Leading the way with new ideas

Constant intellectual property (IP) innovation is a ‘must-do’ for a Future-Fit tourism business. We can’t stand still.

We’re leveraging our IP and global reach to improve our customer experience. How? Through greater connectivity, integrating IP such as Togo Fleet (formerly known as Cosmos) - our (in development) new all-encompassing reservation and management system, improving our telematics systems and incorporating Power BI - a dashboard/reporting tool. We’re using our sustainability framework, data science analysis and insights to create a sustainable, globally connected experience for our customers.

Why this focus? Because as a company we passionately believe that there is no better way of seeing the world than by RV. We’re experience seekers too - we understand our customers love flexible travel, thrive on the unexpected, and crave authentic travel experiences. The app has had over 12,000 downloads since December 2018.

Goals (short/medium term)

For FY19 our IP goals were:
- Launch of the TH Connected Customer Brand
- Launch of the updated Roadtrippers app to customers in New Zealand and Australia.

In addition, for FY20 we have committed to:
- Growing our Connected Customer Brand database to at least 200,000 subscribers.
- Elevating the Voice of Customer to identify continuous improvement opportunities and enhance our online reputation.
- Launching new product and customer experience propositions that meet the core needs of our customers.
- Implementation of the Future-Fit framework.

By investing in our intellectual capital we will commit positively to achieving these Future-Fit Business and Sustainable Development Goals:

• FF01 Procurement safeguards the pursuit of Future-Fitness.
• FF02 Community health is safeguarded.
• FF03 Product communications are honest, ethical, and promote responsible use.
• FF04 Products emit no greenhouse gases.
• FF05 Products do not harm people or the environment.
• FF06 Products are honest, ethical, and promote responsible use.
• FF07 Products can be repurposed.
• FF08 Products are honest, ethical, and promote responsible use.
• FF09 Community health is safeguarded.
• FF10 Products do not harm people or the environment.
• FF11 Products are honest, ethical, and promote responsible use.
• FF12 Products are honest, ethical, and promote responsible use.
• FF13 Products are honest, ethical, and promote responsible use.
• FF14 Products are honest, ethical, and promote responsible use.
• FF15 Product communications are honest, ethical, and promote responsible use.
• FF16 Product communications are honest, ethical, and promote responsible use.
• FF17 Products emit no greenhouse gases.
• FF18 Products are honest, ethical, and promote responsible use.
• FF19 Products emit no greenhouse gases.
• FF20 Business is conducted ethically.
• FF21 The right tax is paid in the right place at the right time.
• FF22 Lobbying and corporate influence safeguard the pursuit of Future-Fitness.
• FF23 Financial assets safeguard the pursuit of Future-Fitness.

STRATEGY TOWARDS THE GOALS

Voice of Customer project
- New customer feedback touchpoints, including refining our current feedback loops.
- Enhanced internal reporting.
- Increased representation of TH reviews on online reputation channels, including a clear focus on addressing any customer complaints.

Connected Customer Brand
- Continued roll out of TH branded touchpoints to strengthen the connection between the connector brand and the product brands within the TH family.
- Continued growth of our underlying database.
- Multiple membership initiatives.

Product and Customer Experience Propositions
- Launch of some high impact product design enhancements on our new rental fleet, based on customer feedback.
- Identification and enhancement of the hallmark moments and services in our customer experience.
- Continued roll out of trip support technologies in partnership with the Togo Group.

Future-Fit programme
Integrating Future-Fit thinking into every decision builds IP that is critical to sustaining both business and society, long term. In FY20 we commit to full assessments, education of all crew and stakeholders, and the implementation of a roadmap towards all our Future-Fit Goals.

How we are performing
- We’ve now live with a global member community of around 144,000 travellers, sharing inspirational content, global travel offers, and recognition perks for repeat customers.
- We’ve launched the TH Roadtrip application in New Zealand and Australia, helping our customers understand their vehicles, navigate routes, and connect with local experiences. The app has had over 12,000 downloads since December 2018.
- We’re forging ahead with the Future-Fit Business Benchmark. With the largest commercial rental fleet in the world and operations across five continents, we have the right travel credentials to lead the charge. We also have a deep database of past customers with plenty of stories to share from 30 years of travel experiences.
welcometo the \textit{thl} Connected Customer Brand

\textbf{CASE STUDY}

In October 2018 we relaunched \textit{thl} as our connecter brand for global RV travel experiences.

The Connected Customer Brand (CCB) links our \textit{thl} rental operation to our global IP in a way that creates a more connected experience for our repeat travellers.

Giving our RV assets a central role in this connectivity sets us apart in the minds of our repeat travellers; we become the brand that connects the resources of \textit{thl}'s global community directly to our customers' personal worldwide travel experiences and, by doing so, improves those experiences.

\textbf{CONNECTED}

We’re bringing together every current and future \textit{thl} business as part of the world’s most advanced RV travel system.

\textbf{CUSTOMER}

They are at the heart of this system, and our primary objective is to create more lifetime RV travellers from our community.

\textbf{BRAND}

We want to create an identifiable voice that resonates with customers, crew, and across the industry. Our Connected Customer Brand will encourage our existing customers to travel with \textit{thl} around the world.

In bringing our Connected Customer Brand to life, \textit{thl} is becoming a truly global brand, with energy, flexibility and depth. Epic experiences worldwide are possible with \textit{thl}.
As a growing global organisation, our human capital is key to being a Future-Fit tourism business. We operate in more than 30 locations throughout New Zealand, Australia and the United States. We also have a joint venture, Just go, in Australia and the United States. We’re the largest commercial motorhome rental company in the world, and we are very proud of our motorhome rental company in the UK and a sales team joint venture, Just go, in Australia and the United States. We operate in more than 30 locations throughout New Zealand, Australia and the United States.

We’re the largest commercial motorhome rental company in the world, and we are very proud of our motorhome rental company in the UK and a sales team joint venture, Just go, in Australia and the United States.

Looking after our human capital is a significant focus area for all our businesses, globally.

Looking after our human capital is a significant focus area for all our businesses, globally.

“thl’s purpose is to ‘create unforgettable holidays’ and our team have embraced that spirit 100%, generously sharing their local knowledge with our guests, giving them the insider tips to make their journey uniquely memorable. Our culture drives that behaviour and we look forward to sharing our special spirit with new crew as our organisation grows.”

Tourism Holdings Australia, Kate Meldrum, Australia General Manager

Enabling our people to develop, grow and be well

We are currently finalising our age benchmarks and additional age group diversity goals.

Goal

By investing in our human capital we will commit positively to achieving these Future-Fit Business Benchmark (FFBB) and Sustainable Development Goals:

- Achieving 100% compliance across all sites, with FF10 - employee health is safeguarded - within FY20. We will commence all other assessments as well, with the aim to develop a roadmap towards those in the medium to long term.

Goals (short/medium term)

For FY19 the goals that specifically related to our people were:

- Zero tolerance for notifiable incidents in our operations from FY18 onwards.
- By 2020, 75% of staff (or more) believe that thl cares about the wellbeing of its people (as assessed by our engagement survey).
- Establish gender and cultural diversity benchmark data by business across all levels of the organisation: non-manager, manager, senior manager and executives.
- Increase the number of women in total to get a more equal m/f ratio especially in our businesses that show a less than 45% women representation overall.
- Increase our age group diversity in line with overall demographic trends in the different countries we operate. In addition, for FY20 we have committed to:
  - Move towards gender equality in all our roles, with at least a 5% improvement each year from our FY19 benchmark data.

How we’re delivering

Notifiable incidents in New Zealand

3

Notifiable incident in Australia

1

Any notifiable incident is one too many and we are treating these with utmost urgency. Through accessibility awareness initiatives and continuous updates of our practices, we’re maintaining a zero tolerance target.

Engagement score 2019

68%

3% lower than last year and 7% under our target of 75%.

Gender by country

<table>
<thead>
<tr>
<th>Gender by country</th>
<th>Country</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Male</td>
<td>60%</td>
<td>40%</td>
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<tr>
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</table>

This shows that in New Zealand we have maintained our 45% female representation, in Australia we dropped slightly from 40% to 37% compared to last year and the US comes in slightly under target at 37% as well.

Diversity of age

<table>
<thead>
<tr>
<th>Diversity of age</th>
<th>Australia</th>
<th>New Zealand</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 24</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
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<tr>
<td>25 – 29</td>
<td>40%</td>
<td>40%</td>
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<tr>
<td>30 – 39</td>
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<tr>
<td>40 +</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

NB: We have changed survey provider and methodology in FY19 therefore the score may not be directly comparable.

We are currently finalising our age benchmarks and additional age group diversity goals.

As a growing global organisation, our human capital is key to being a Future-Fit tourism business. We operate in more than 30 locations throughout New Zealand, Australia and the United States. We also have a joint venture, Just go, in the UK and a sales team joint venture, Just go, in Australia and the United States.

We’re the largest commercial motorhome rental company in the world, and we are very proud of our motorhome rental company in the UK and a sales team joint venture, Just go, in Australia and the United States.

Looking after our human capital is a significant focus area for all our businesses, globally.
We will assess all our sites on the following six categories of criteria that determine the Future-Fitness:

- Physical safety in the workplace
- Mental wellbeing
- Physical activity
- Nutrition
- No-smoking
- Support for lost time

We will amend gaps found immediately and report back through our global health and safety committee. We will implement a recruitment strategy that specifically aims to close the diversity and age gaps identified.

**STRATEGY TOWARDS THE GOALS**

**CASE STUDY**

**GPS Navigator - connecting our leaders and crew around the world**

**thl** is committed to global leadership development, our dynamic two-yearly global leadership conference is one such opportunity for ‘growing’ our leaders. In September 2018, 120 of **thl**’s global leadership from NZ, Australia, UK and US participated.

The conference theme was “Plugged In” - maximising **thl**’s Future-Fitness through new technology and systems. One of the highlights was the launch of GPS Navigator to our global leaders, allowing them to understand its potential for **thl**. This was hugely successful.

**What’s GPS Navigator?**

Being a global organisation, we have great opportunities to link our crew around the world - sharing inspiration, knowledge, or just expanding individual networks across the business.

But as a lean decentralised business, there is a risk that knowledge and expertise in **thl** could be locked up in peoples’ heads locally. GPS Navigator assists in changing that, and allows us to unlock greater productivity and innovation, reduce duplication and increase global collaboration through a common system “thinking” approach, supported by a software platform that links people together.

“GPS Navigator allows us to unlock greater productivity and innovation, reduce duplication and increase global collaboration through a common system “thinking” approach.”

Jo Allison, COO

This allows our crew, wherever they are located, to identify and find solutions to challenges and opportunities, and develop a shared knowledge base from the rich information available. That knowledge can be utilised locally and shared globally.

We also introduced our leaders to the concept of “Connectors” across our business - people who understand how to navigate around the global **thl** network and can encourage, coach, inspire and support all leaders to start to utilise our global knowledge base.

GPS Navigator helps us on the journey to being a Future-Fit Business. Connecting our combined knowledge, ideas and people creates value for **thl** way beyond the sum of the GPS Navigator system component parts - and we’ve only just started on the journey.

**GPS Navigator will allow **thl** to tap into our global knowledge to address the challenges and unlock the opportunities we will face as we continue to evolve as a sustainable global organisation.**

It’s already doing so with these two initiatives:

- The **thl** Ignite Good Challenge - creating unforgettable holidays for everyone - an initiative to engage with communities or people who are not normally able to experience a motorhome holiday due to their circumstances. This came about through a collaboration across teams, across countries, and Australian local communities.
- Real time language translations - helped to provide a Chinese language speaking application for one of our guided tours that increased the enjoyment and understanding of the rich history and tikanga of our Waitomo area.

The GPS Navigator system provides our business with:

- A more ‘joined up’ way of thinking - working on challenges and opportunities across **thl**
- Easy access to helpful tools and resources.
- A simple process for capturing knowledge (searchable) that is relevant to the business.
- Easier identification and connection with people who have experience or knowledge that is relevant.
- A group of ‘Connectors’ who know things and can help make connections.

**UNIQUE**

**COMMON**

**Continuum of collaboration**

GPS Navigator helps us on the journey to being a Future-Fit Business. Connecting our combined knowledge, ideas and people creates value for **thl** way beyond the sum of the GPS Navigator system component parts - and we’ve only just started on the journey.

GPS Navigator will allow **thl** to tap into our global knowledge to address the challenges and unlock the opportunities we will face as we continue to evolve as a sustainable global organisation.
Respecting and embracing our communities

As a global tourism transport operator, we have a broad geographical footprint that impacts on the communities in which we operate. These communities are our social and relationship capital, and they are integral to our operation.

Whether that’s where our crew buy their coffee in the morning, where our customers visit, or our large community of up and downstream suppliers - we simply cannot operate without them. Over the past few years we’ve made a commitment through our ‘Respect’ pillar to embrace our communities; to better understand them and to engage with them in a more structured way. By adopting the Future-Fit Business Goals, we are making an even stronger commitment to work towards operating only when we’ve helped safeguard community health.

Goals (short/medium term)
Positive stakeholder relationships contribute to the success of our business. We need to understand what our stakeholders’ needs are and how we can positively contribute to them.

For FY19 our goals were:
- To complete five community impact assessments per country by 2020.
- Incur zero infringement notices for illegal freedom camping for TN customers by 2020.

In addition, for FY20 we have committed to:
- Creating an RV-centric health and safety risk database, which will be made available to the wider industry to help increase overall health and safety of our customers.
- Continue to focus on the roll out and integration of the Tiaki Promise, focusing on increased uptake and driving behaviour change.
- Review the Future-Fit Business Goals and determine the roadmap towards these.

Long term, we are committed to the Future-Fit Business Goals and Sustainable Development Goals related to the communities we operate in. These are:
- FF06 Community health is safeguarded.
- FF16 Product communications are honest, ethical, and promote responsible use.
- FF20 Business is conducted ethically.
- FF25 Financial assets safeguard the pursuit of Future-Fit.
- FF31 The right tax is paid in the right place at the right time.

How we’re performing
Community assessments
We’ve embarked on community impact assessments in New Zealand and the USA. In Australia we have taken a slightly different route, engaging with StartSomeGood. With them we have created a crowdfunding campaign to engage with the community. ‘Responsible travel’ is incorporated under this capital as the key stakeholders impacted by irresponsible travel are, first and foremost, our communities.

NEW ZEALAND
Assessments completed: Waitomo, Queenstown
Assessments in progress: Christchurch
Assessments planned: South Auckland, Coromandel

USA
Assessments planned: Los Angeles, San Francisco

AUSTRALIA
StartsSomeGood community engagement
Assessments planned: Melbourne, Cairns, Darwin, Alice, Tasmania

Infringement notices
In New Zealand we received 147 illegal freedom camping infringement notices. In Australia and the USA we received zero.

Despite additional efforts to create more awareness with our customers around responsible camping, the number of infringement notices in New Zealand has stayed the same. We are disappointed with this, and will continue to focus on educating our customers. We expect the implementation of telematics in New Zealand in FY20 to help, although we anticipate more impact once we have completed the implementation of the alert system, in FY21.

Telematics implementation
We aim to have telematics, tablets and safety alerts operational in New Zealand and Australia by 2019 and the USA by FY21.

The results so far:
NEW ZEALAND
In progress: Hardware implementation will be completed by December. Software for alerts will follow and will be completed in FY20.

AUSTRALIA
Completed: New hardware to be installed in new fleet vehicles.

USA
Planned: This will start in FY20 and be completed by FY21.

Other
- The Tiaki Promise awareness campaign is in place through pre-travel communications, in branch reminders, and an on road survey.
- In Queenstown especially we have supported the local hubs and provided our customers with the resources they need to be more responsible travellers.

Strategy towards the goals
Implement a community advocate role
To increase our community engagement, we are considering implementing a community advocate role within all our branches. The community advocate will be actively liaising with the communities we impact upon. They will also be first point of contact for any community concerns.

Create community partnerships
We create key partnerships with community organisations in the countries we operate. In FY19 we embarked on our first partnership intent with the Sir Peter Blake Trust, ME Family Services and the Graeme Dingle Foundation. Their purpose is to increase our community engagement through partnerships, creating value together, thereby increasing our positive community impact. Please see this sustainability.com for more information.

Implement Future-Fit community and supplier health checks
Our community impact assessment goal will be updated with the more exacting Future-Fit Business Goal to safeguard community health. We have already incorporated additional questions into the community impact assessments currently underway and will continue to focus on this going forward. Some of the new questions focus specifically on the quality of our community concern mechanisms.

To really understand our social impact we will also apply this to our supply chain assessment, as per the Future-Fit Business Benchmark guidelines.
**CASE STUDY**

### Responsible camping

**THL** has a long history supporting and enabling responsible camping practices. Campers are an important sector of the global tourism industry; they travel extensively through the countries we operate in, tend to stay a long time and spend money on a wide variety of goods and activities. In 2007 we were a foundation member of the New Zealand Responsible Camping Forum, along with Tourism Industry Aotearoa.

The forum enabled an industry-wide approach to providing education and information to campers to positively influence their behaviour. Infrastructure was improved to support better conditions for visitors. CAMPSITE also introduced new biometrics that keeps everyone safe, protects our environment, respects our culture and property, and enables responsible camping to be more accessible.

**THL** is also a member of the team that created the Tiaki Promise in New Zealand. Launched in November 2018, the Tiaki Care for New Zealand campaign encourages Kiwis and international visitors alike to experience New Zealand in a way that keeps everyone safe, protects our environment, respects our culture, and protects the country for future generations.

**THL**’s involvement and leadership of responsible camping continues to be expansive. A key focus area is educating drivers on what is expected of them and what they can camp when they have a self or non-self-contained vehicle.

**THL**-owned CamperMate (now part of Outdoria) is a mobile application (that works on and offline) to show visitors to New Zealand the nearest location of camping facilities, freedom camping sites, dump stations, rubbish disposal, parking, and other infrastructure required to support responsible camping and motorhomeing.

Driving in another country can be very different to driving at home. Drivers need to allow plenty of time to reach their destination and to understand the new country’s road rules and signs. **THL** has self-driving questionnaires that all customers must complete before they pick up their motorhome and if one of our crew feels that a customer is not confident about driving the vehicle, they can refuse to provide the vehicle to a customer until a suitable driver can be found.

**THL** participated in the Visiting Drivers Project that concentrated on improving road safety for the visiting drivers. A project evaluation, carried out by independent consultants Dovetail and Kinnect in 2019, found that the project substantially delivered on its outcomes:

- A successful collaboration between government and industry.
- Evidence of local, regional and national system changes as a result of the project on the number of deaths and serious injuries among visiting drivers has remained relatively stable despite a sustained increase in tourism volumes.
- Key success factors were identified as being a common sense of purpose and shared ownership; leadership to drive change and hold account; course; clear structures, processes and co-ordination roles; and respect and trust, built on a willingness of all partners to come together.

Detailed project information is available at saferjourneys.govt.nz/visitingdriversproject

### Queenstown community impact assessment results

As mentioned in our last sustainability report, Sustainable Business Network (SBN) conducted a Queenstown Lakes District Impact Assessment on behalf of **THL**. This was completed in October 2018.

Amongst other highlights, the report noted two activities that are currently minimising community impact. They were:

- Advising our customers to bus to Te Anau, instead of driving.
- Having customers sign an agreement not to drive over the Crown Range.

The report concludes:

“Through a comprehensive desktop survey and interviews with 31 stakeholders, this community footprint assessment has identified the key impacts that internal and external stakeholders perceive **THL**’s businesses to have on the Queenstown Lakes District. Over the duration of the assessment, 43 topics were identified under the four themes of Community, People, Economy and Place, as well as a quickly emerging fifth theme, Social Licence. This last theme - and the topics under it - is of extreme importance and sets the context for any other actions by **THL** in the district. The main recommendations relate to connection and communication. **THL** needs to communicate to the district the steps it is already taking to minimise the impacts of its operations and its customers’ behaviour. It should build its case - using both CamperMate and economic data - for how the district is better off for its presence. It should also build relationships with local stakeholders, including Council, with whom it could jointly explore the district’s infrastructure shortfall, ultimately impacting on **THL**’s own customers’ experiences.

To do all this, **THL** needs to build a profile for itself in the district as a responsible player attuned to the concerns of the community and acting in its long term interests. **THL** should draw on its initiatives, commitments and advocacy at a national level to help do this, and combine them with dedicated actions to improve the experiences of tourism for communities in the district.”

As a result of this report, we have been reviewing the role of a community advocate in our branches and have taken a proactive approach to participation in community events. We are aware that a lot more can be done, and through our commitment to the Future-Fit Business Goals we will continue to safeguard the health of the communities where we operate.
CASE STUDY

The StartSomeGood story

The experiences we offer can change lives and perspectives - customers can get off the grid, and connect with family, friends and nature again; our holidays are truly memorable.

So at the thl leadership conference we wondered, ‘could we create unforgettable holidays for people who could not ordinarily afford them?’ We decided we could and we took up the challenge to find organisations through which we could reach communities and the people who could benefit from this idea.

That proved to be more difficult than we had imagined. But we found StartSomeGood, an Australian-based cause-driven crowdfunder, which brings together great corporations and great people, in a shared goal to make the world a better place.

The thl team were invited to hear each idea via Skype and to vote for the ones we believed were the most worthy - a difficult job, as they were all worthy. We supported the best three ideas with seed funding of $5,000.

One of the thl sponsored causes is The Rustic Bus Campaign, who were raising money to provide holidays for vulnerable families. They have raised a total of $20,100.

Another was the Special Olympics Road Trip, whose campaign reached its critical mass of $10,000 a week after launch. That funds the team to go to Geippsland, Victoria, this September and they also raised enough money for an Outback trip next year.

The thl team continue to be actively involved with these initiatives, promoting it through our internal and external network.

The StartSomeGood story

“The Special Olympics Road Trip campaign reached its critical mass of $10,000 a week after launch.”

CASE STUDY

CamperMate progress

Since 2011 CamperMate has been actively contributing toward a more sustainable freedom camping industry. At its core, CamperMate educates visitors on where they can legally camp, as well as educating them on responsible behaviour during their travels. In peak summer we’re reaching more than 50,000 visitors per day.

Last year CamperMate’s unique platform used artificial intelligence to determine live availability for freedom campsites. 90% of visitors using CamperMate who saw a site as full stayed elsewhere (or at a recommended location) from an average of 97kms away from the site with no capacity. When a site was shown as full, a small discount/offer shows on the CamperMate display to incentivise our campers to stay in a holiday park convenient to their current location.

In addition to the technology, the CamperMate team is also actively involved in the Responsible Camping Forum, and work with all district councils to disseminate accurate freedom camping information to our travellers. They developed a data reporting platform for councils to understand visitor behaviour in their region and identify any need for further infrastructure.

NB: CamperMate is now part of Outdoria.
Protecting and enhancing our environment

We rely heavily on the environment to deliver rich experiences for our customers. The truth is, we’ve taken our natural capital for granted for too long and we haven’t looked after it the way we should. But that changing - in recent years, we’ve become much more mindful of the negative impact our activities have on our environment. Our long-term goal now is not only to have a ‘neutral’ impact, but to have a positive one. We will help undo some of the damage our activities have caused over the years. Delivering on that means moving away from a heavy reliance on fossil fuels - consuming these harm the planet, and it is not lost on us that many of our customers travel long distances to enjoy the experiences we offer them.

Long term, we are committed to the Future-Fit Business Goals and Sustainable Development Goals related to protecting and enhancing our natural capital. These are:

- **FF01**: Energy is from renewable sources.
- **FF02**: Water use is environmentally responsible and socially equitable.
- **FF03**: Natural resources are managed to respect the welfare of ecosystems, people and animals.
- **FF04**: Procurement safeguards the pursuit of future-fitness.
- **FF05**: Operational emissions do not harm people or the environment.
- **FF06**: Operations emit no greenhouse gases.
- **FF07**: Operational waste is eliminated.
- **FF08**: Operations do not encroach on ecosystems or communities.

Goals (short/medium term)

For FY19 our goals related to the environment were:

- To reduce our absolute carbon footprint 20% by 2023 against 2016/17 levels for NZ and AU operations and against 2017/18 levels for US operations and JVs.
- To have 5% low-emission vehicles in our motorhome fleet by 2020.

We set our goals in line with the Paris agreement’s long-term objective to keep the increase in global average temperatures to below 2°C, above pre-industrial levels.

We now know that globally, in order to substantially reduce the risks and effects of climate change, that the absolute maximum borderline is a 1.5°C temperature increase; we will adjust our goals accordingly.

Long term, we committed to the Future-Fit Break-Even goal of zero emissions. In FY20 we will complete our assessment process, and we will then set ourselves a hard deadline for this goal. Currently, we are moving as fast as we can.

This is not our only environmental focus. We will also become more efficient with our use of resources. In addition, we have initiatives and programmes in place that focus on ecosystem restoration and educating our customers on how to look after the places they travel through.

How we are performing

Our operational carbon footprint includes Scope 1, 2 and 3 emission sources as follows:

**Scope 1**
Transport fuel used in our company cars and fuel used in our sites (LPG, natural gas, diesel).

**Scope 2**
Emissions associated with purchased electricity.

**Scope 3**
Diesel used in leased Kiwi Experience coaches and fuel used by staff commuting to work; air and rail travel; waste sent to landfill; motorhome maintenance materials (replacement tyres and batteries, water and wash chemicals).

Operational emissions

**Absolute footprint (tonnes CO2e)**
Performance against the 2025 target of 20% reduction on 2016/17 levels for NZ/AU and against 2017/18 levels for USA and JVs.

<table>
<thead>
<tr>
<th></th>
<th>Absolute footprint in tonnes of CO2e</th>
<th>Compared to 2017/18</th>
<th>Compared to our NZ/AU baseline year 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>2,654.4</td>
<td>+ 23%</td>
<td>+ 21%</td>
</tr>
<tr>
<td>AU</td>
<td>2,137.4</td>
<td>+ 6%</td>
<td>+ 4%</td>
</tr>
<tr>
<td>US</td>
<td>3,235.9</td>
<td>+ 15%</td>
<td></td>
</tr>
<tr>
<td>JVs</td>
<td>259.8</td>
<td>+ 3%</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,286.6</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We are very happy to report that we are starting to see results of the focus in our operations on becoming more responsible operators. Less waste, power and water use have contributed to these reductions. However, some of this is also due to our more accurate data that we are gathering in collaboration with our waste and power suppliers.

The Action Manufacturing increase, in part or wholly, is down to the acquisition of Fairfax.

**Intensity footprint (tonnes CO2e per employee)**

<table>
<thead>
<tr>
<th></th>
<th>Carbon intensity footprint in tonnes of CO2e per employee</th>
<th>Compared to 2017/18</th>
<th>Compared to our NZ/AU baseline year 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>3.90</td>
<td>+ 20%</td>
<td>+ 24%</td>
</tr>
<tr>
<td>AU</td>
<td>7.63</td>
<td>+ 5%</td>
<td>+ 31%</td>
</tr>
<tr>
<td>US</td>
<td>8.17</td>
<td>+ 17%</td>
<td>n/a</td>
</tr>
<tr>
<td>JVs</td>
<td>1.62</td>
<td>+ 16%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Combined NZ and AU Intensity emissions are down 29% on the 2016/17 base year**

**Customer journey footprint**

Our customer journey footprint accounts for fuel used by our customers in hiring our motorhomes. As we own the motorhomes these are a Scope 1 emission source. However, we have reported these separately from our operational footprint so we can manage it more effectively. From FY20 onwards we intend to include these in our full stated organisational footprint.

Performance against the 2025 target of 20% reduction on 2016/17 levels for NZ/AU and against 2017/18 levels for USA and JVs.

<table>
<thead>
<tr>
<th></th>
<th>Customer journey footprint in tonnes of CO2e</th>
<th>Compared to 2017/18</th>
<th>Compared to our NZ/AU baseline year 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>16.446</td>
<td>+ 7%</td>
<td>+ 1%</td>
</tr>
<tr>
<td>AU</td>
<td>18.966</td>
<td>+ 5%</td>
<td>+ 13%</td>
</tr>
<tr>
<td>US</td>
<td>41.736</td>
<td>+ 8%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

A newer, more efficient fleet make-up has reduced our emission averages across our fleet which has resulted in a stable footprint, despite having a growing number of customer kilometres.

However, as the customer journey footprint is about 10x our operational footprint, it clearly shows the need for our focus on alternative options to our fossil fuel dependent fleet.

1 Not verified

1 The FY18 footprint data through independent verification can be considered consistent with the mandatory requirements of ISO14064-1:2006 with a 5% materiality threshold, Limited Assurance. Please note that all FY19 footprint data will be third party verified later in the year and may change.
In FY19, we implemented the following initiatives:

- We started waste audits across all NZ sites. We’ve set up recycling systems, including organic waste collection systems with specific composting companies, and are educating crew about the importance of doing this.
- We started implementing the recommendations from last financial year’s power and water audits in AU and NZ to support our operational footprint reduction. In FY19, we have self-audited our El Monte RV branches in the USA, and are currently working through this data to plan emission reduction initiatives.
- These initiatives include:
  - Upgrading all lighting to LED in Australia and New Zealand.
  - Upgrading our Auckland laundry.
  - Upgrading our Auckland wash bay.
  - Continue to take an industry leadership role in emissions reduction through participation in The Climate Leaders Coalition, climateleaderscoalition.org.nz.
- We have also:
  - Helped implement a fully solar-powered Ruakuri Cave operation.
  - Planted 1,205 trees in the Waitomo district area.
  - Reduced rat activity in the Ruakuri Scenic Reserve from 86% to undetectable (0%) levels by employing a focused environmental technician in partnership with the Department of Conservation.

These initiatives include:

- Installing solar PV panels on sites where it will be beneficial.
- Making all our sites as energy efficient as possible.
- Installing solar PV panels on sites where it will be beneficial.
- Continued implementation of our power and water audit initiatives.

5% of total fleet to be low emission vehicles by 2020.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>FY19 results</th>
<th>FY19 progress against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of low emission vehicles on fleet vs total fleet</td>
<td>11 prototype eRVs (10 on fleet)</td>
<td>Insignificant as a number compared to the total fleet but significant for the impact, opportunity and leadership</td>
</tr>
</tbody>
</table>

12,905 Total trees added to the tree count from ‘trees that count’ (treesthatcount.co.nz) since 2016 in collaboration with the Waikato Regional Council and local stakeholders. 12,905 trees will help to remove about 139.16 tonnes of carbon.

The demand for ecotourism and sustainable travel has grown significantly. Offering an eRV option as an alternative to conventional fossil fuel motorhomes is part of RFN’s response to this movement. Instead of relying on assumptions and risk greenwashing, we wanted real data to support authenticity and transparency of our marketing claims. So we sent two teams of sustainability experts from thinkstep® on a fact-finding mission around the North Island of New Zealand in two Britz motorhomes - one electric and one diesel. They gathered data on diesel consumption and electricity use, and also investigated all materials used to build and maintain the motorhomes, including the battery of the eRV. This formal comparison is called a Life Cycle Assessment and it follows relevant international standards. It considers all materials and emissions over the full life cycle of the motorhomes from ‘cradle-to-grave’.

One of the results is a carbon footprint of each vehicle over its assumed 20-year life span. The comparison will cover not only the CO₂ emissions and the impact on climate change, but also air pollution, water pollution and waste along the full life cycle of both vehicles. The outcome of this will help inform our future decisions, and help our customers and stakeholders understand the difference this can make. Not only will the engines in our RVs consume less fossil fuel, but using other sustainable materials and processes to construct our entire RV fleet will have a significant positive impact.

To do this well, we are undertaking a life cycle assessment of our current and future RV designs. The outcome of this will help inform our future decisions, and help our customers and stakeholders understand the difference this can make. Not only will the engines in our RVs consume less fossil fuel, but using other sustainable materials and processes to construct our entire RV fleet will have a significant positive impact.

Our R&D and innovation experience in the last few years has shown us the transition to zero emissions - especially in our supply chain, will take time. This will not stop us from pursuing the most fuel efficient options in the meantime.

### Drive the eRV programme (see under Manufactured Capital)

Our RV fleet causes the most significant emissions impact of all our operations. To become a no harm operator, we have to drive light commercial vehicle innovation and develop additional infrastructure to sustain this.

- Diverting organic waste from landfill across all our sites.
- Transitioning our company cars to EVs.
- Getting office eBikes where appropriate (Waitomo, Head Office and RVSCV in Albany currently in place).
- Promoting carpooling and public transport where possible as better ways to commute.
- Working with our supplier to get EV coaches in the Kiwi Experience coach fleet.
- Zero emissions operations
- Transitioning our fleet to eRVs alone will not be enough to reach carbon neutrality. We need to make our operations carbon neutral as well. We have initiatives in place that will support our journey to becoming a zero emission operator. These include:
  - Diverting organic waste from landfill across all our sites.
  - Transitioning our company cars to EVs.
  - Getting office eBikes where appropriate (Waitomo, Head Office and RVSCV in Albany currently in place).
  - Promoting carpooling and public transport where possible as better ways to commute.
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  - Promoting carpooling and public transport where possible as better ways to commute.
- Working with our supplier to get EV coaches in the Kiwi Experience coach fleet.
- Making all our sites as energy efficient as possible.
- Installing solar PV panels on sites where it will be beneficial.
- Continued implementation of our power and water audit initiatives.

### STRATEGY TOWARDS THE GOALS

The demand for ecotourism and sustainable travel has grown significantly. Offering an eRV option as an alternative to conventional fossil fuel motorhomes is part of RFN’s response to this movement.

Overall, taking both production and use into account, the initial results of the carbon footprint indicate that the Britz eRV will win the race in New Zealand. As we move into the next stage of the project, we will also look at the effect of New Zealand’s ambition to move to 100% renewable electricity. The full results are due out in December.

The thinkstep team will release a video series to document their fact-finding mission through the gorgeous New Zealand North Island countryside.

Lifetime CO₂e emissions for the Britz eRV

<table>
<thead>
<tr>
<th>Life cycle assessment</th>
<th>Production</th>
<th>Use</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>60%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

1 thinkstep.com/Australasia
In 2019, the El Monte RV team developed a new framework to integrate sustainability across its business operations. Stores completed baseline assessments to better understand current activities and identify potential areas for improvement. The assessments were a valuable learning opportunity and helped identify the most important areas to focus on as a business.

At the leadership conference in March, a workshop involving 30 managers from across the business took place to develop a long-term vision and goals. The team considered the baseline assessment results, critical issues impacting sustainability and the business in the US, and ideas and inspiration from work other leading businesses are doing to integrate sustainability. Then, using this knowledge, the team developed a vision for where we want to be in 20 years and how we could get there.

Antonia Nichol, Project Manager, US Sustainability Initiatives, commented “engaging the business leaders, exploring ideas and working together to develop a shared vision and goals was really important. The team created a fantastic vision that we want to be leading the way to sustainable holidays, by putting sustainability at the heart of our company culture, customer experience and business practices”.

The Group identified long-term goals to deliver the vision, including providing the best motorhomes with the least environmental impact, conducting business practices in a sustainable, caring and environmentally friendly way and encouraging responsible travel that protects the environment and respects local communities. Antonia added, “we are at the beginning of an exciting journey embedding sustainability across the business that we want to share with our customers, partners and the community”.

To progress the framework, each store is developing an action plan to tackle five focus areas: eliminating waste, saving energy, water conservation, reducing emissions and community contribution. The first step was for stores to complete an energy and water survey, the results of which will be used to identify projects to reduce our energy and water use and lower emissions.

Tom Wigginton, Operations Director said “we are focusing on finding high impact changes and our store managers are committed to making this happen. We are already identifying quick-win changes, process improvements and new projects to implement. An initial success was changing our oil filter change time period from 3,000km intervals to 5,000km, in line with OEM recommendations, resulting in 40% less waste and significant savings in cost and labour”.

Tom added “we now have a clear direction, a framework in place for success, and momentum is building. We are focusing on getting the foundations right - reducing waste, saving energy and water and lowering emissions - while working on long-term initiatives that have potential for large-scale impact in key areas such as reducing emissions and water conservation”.

A key part of delivering the framework is a new responsible travel programme - Travel with Heart - designed to help our customers enjoy a more sustainable holiday. Initially the programme will focus on encouraging customers to help the environment by reducing waste, saving water, being fuel-efficient, safe driving and promoting responsible travel tips and itineraries.
CASE STUDY

Discover Waitomo – kaitiaki of the Waitomo region

One of the guiding values of Discover Waitomo is its responsibility as kaitiaki (guardian) of the Waitomo region. Part of that guardianship includes the protection and enhancement of the natural environment. In recent years our environmental programme has expanded from the cave and karst landscape to include waterways, biodiversity, emissions and energy efficiency. This work now reaches far beyond the operating sites of Discover Waitomo experiences and into neighbouring land (both public and private). As a result, the programme has formed partnerships and relationships with a broad range of community stakeholders, from landowners to local hapu.

In the last two years our partnership with DOC has reduced rat activity in the reserve from 86% to undetectable (0%) levels. There have been some anecdotal reports that there has been an increase in bird song and the return of some bird species that are rare to the Waitomo region.

Reducing pests

The Discover Waitomo group partners with the Department of Conservation (DOC) in a programme unique in New Zealand targeted to improve the biodiversity of the wider Waitomo district. Discover Waitomo employs a full-time Environmental Manager and together with DOC we fund (50/50) a full-time Environmental Technician, whose role is primarily the eradication of pests.

One of the areas benefiting from this is the Ruakuri Scenic Reserve, where we have successfully reduced the number of possums and rats. The latter made possible by expanding bait lines further and carrying out extensive trapping. There will soon be around 200 A24 traps in action (three times the current deployment).

These traps - made by Goodnature - are safe, easy to use, humane and self-setting. This greatly reduces labour input and reliance on pesticides, and will deliver a more sustainable long term predator control programme.

Planting programme

The condition of the caves at Waitomo is partly determined by the condition of the catchment ecosystem around them, so Discover Waitomo has long had a focus on improving the waterways upstream of Waitomo. To continually improve ecology quality, we are increasing fencing to exclude stock, and planting native trees.

Working closely with the Waikato Regional Council and local stakeholders, we actively seek out catchment restoration projects. This involves investing time coordinating these groups and directly funding the project costs, and usually sees us plant around 3,000 native trees per year.

Recently, we’ve significantly escalated our efforts. For the first time, the 2019 planting programme is centred on two private properties downstream of the Waitomo Glowworm Cave. We’ve boosted funding for the programme by partially funding it with proceeds from our new retail product range. These items are made to be “good for a lifetime” and their sale is contributing to the purchase of trees.

This retail range has been created with the Tiaki Promise in mind; items are intended to be useful for a traveller throughout their journey in New Zealand, and to help them reduce their waste footprint. Discover Waitomo cafés and restaurants are on board too, and have begun to phase out single use packaging; the Glowworm Cave café has eliminated it entirely.

Ruakuri off the grid

In a likely first for a cave experience of its scale, the Ruakuri Cave and Ruakuri Visitor Centre is now entirely off the grid and powered by renewable energy. Developed in partnership with the Ruakuri Holden Whanau Trust, the new solar array was commissioned in November 2018.

84 thin film photovoltaic (PV) panels are installed on a fixed tilt ground mounted structure and paired with 20 kWh of battery storage and an auxiliary generator as backup. This array had immediate effect, between November and late March 2019 the Discover Waitomo generator recorded zero fuel burn.

To improve performance further, more battery storage will be added this year.

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Our Board’s year

The Tourism Holdings Limited Group operates under a set of corporate governance principles designed to ensure the Company is effectively managed. The detail of our governance structure is explained in the corporate governance section of this report. Here we give you a snapshot of the increased activity of our Board in support of our strategy.

Our Board’s year

Governance
- Review and update of Board and Committee Charters reflective of best corporate governance practice and requirements of 2019 NZX Corporate Governance Code.
- Review of capability matrix of the thl Board and appointment of Rob Hamilton as a new director, ensuring an availability of a wide range of expertise across the Board.

People, culture and values
- Appointment of new Chief Financial Officer, Jennifer Bunbury, with significant experience in M&A, strategic advisory assignments and investor relations.
- Review of results of 2018 employee engagement survey.

Financial
- Quarterly review of forecast business financial performance for FY19.
- Review and approval of individual business performance targets for FY20.

Strategy, risk and sustainability
- Establishment of Sustainability and Risk Committee responsible for strategic risk management, maintenance of thl’s sustainable business model and engagement in practices reflective of thl’s role as a responsible corporate citizen.
- Monthly review of key operational developments for each business.
- Regular review of health and safety activity and progress against sustainability initiatives.
- Review of thl’s insurance policies.

Board subcommittees
During the year the Board has provided the subcommittees with greater responsibility and engagement with the broader management team, as a mechanism to increase director/management engagement, whilst not extending board meetings to a point where they become less productive. The subcommittees that we operate include:
- Audit Committee
- Remuneration and Nomination Committee
- Sustainability and Risk Committee - new committee in FY19
- Marketing and Customer Experience Committee
- Disclosure Committee (only called, as appropriate, for disclosures)

Risk and opportunities
Risk management has been embedded in the way we operate from a governance perspective. With increasing operational complexity, increasing external risks and the growth of the business, risk management needs to be part of everyone’s daily operation. For this reason, thl has taken a deliberate approach to embed enterprise risk management into the culture, to make it top of mind for all our crew.

We use risk management to protect the Group’s assets in a number of ways:
- Detailed enterprise risk register.
- Accurately record business policies and practices.
- Internal control system.
- Compliance with applicable laws, regulations, standards and best practice guidelines.

Our risk strategy

What is our strategic direction?
- Purpose
- Strategic objectives
- Risk appetite

What risks impact our business and strategic direction?
- Technology & IT
- Reputation
- Health safety & people
- Regulations & legal
- Market
- Finances
- Environment

Can we influence the likelihood of these occurring?
- Strategic risks
- Operational risks
- External risks

How do we reduce the likelihood of these risks occurring?
- thl risk management process

By understanding and documenting the risks to us achieving our business goals, including our compliance obligations, we can provide current and detailed risk information to the board, enabling them to make sound strategic decisions for sustainable future growth.

We have adapted our already successfully operating health and safety system ecoPortal to enable our crew to take control.

“For a COO it is really important to have a quick, at a glance overview of the high risks and where we’re at with the controls. ecoPortal makes that part of the job really easy.”

Jo Allison, COO

Risk Governance
thl have appointed a specific enterprise risk and sustainability committee to oversee the effectiveness of the internal controls across our organisation.

Risk management is led by the management Risk Steering Committee, who meet every two months to:
- Monitor the new and existing risk and controls.
- Reviews quality of ERM practices and communicates results with risk owners.
- Benchmark against similar organisations.

In addition, operational monitoring takes place through:
- Weekly business reviews.
- Monthly business process review meetings.
- Site risk audits to review awareness and controls.
A mandatory enterprise risk training module is also being rolled out as part of our global awareness programme “DriveTrain”.

Our Board in support of our strategy.

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Here is a range of risks that impact **thl** short term and/or long term. They are grouped by key themes and linked back to our overall capital outcomes.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Detail</th>
<th>Impact</th>
<th>Risk controls</th>
<th>Link to outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short term</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety</td>
<td>Being in the travel industry, providing transport and extended experiences rely on customers and crew to be and feel safe.</td>
<td>If travel in general was no longer regarded as safe, or our products specifically would cause harm, we would face major impacts on our operating model, as well as fines, lawsuits and significant reputational damage.</td>
<td>Continue to embed health and safety culture and strong processes in all parts of the business.</td>
<td>HUMAN CAPITAL: Enabling people to develop, grow and do well SOCIAL CAPITAL: Respecting our communities</td>
</tr>
<tr>
<td>Cyber security</td>
<td>External malicious activity causing loss of key systems and data breaches.</td>
<td>Loss of key systems causing operational disruption, reduction in EBIT, Reputational impact.</td>
<td>Follow mandated and best practice preparation and response plans.</td>
<td>INTELLIGENT CAPITAL: Leading the way in innovation HUMAN CAPITAL: Enabling people to develop, grow and do well</td>
</tr>
<tr>
<td>Talent shortages</td>
<td>Changing global population and interest in tourism causes recruitment challenges globally affecting the ability to deliver our experiences.</td>
<td>Being short staffed creates pressure for existing staff and has a negative impact on customer experience and revenue.</td>
<td>Review and innovate current crew engagement and recruitment strategy and improve <strong>thl</strong> employer brand.</td>
<td>HUMAN CAPITAL: Enabling people to develop, grow and do well</td>
</tr>
<tr>
<td>Systems failure</td>
<td>One of <strong>thl</strong>’s key strengths, strong innovation using technology, is also a key risk when these systems or part of the execution of these systems would fail.</td>
<td>Significant customer and revenue disruption. Loss of reputation. Benefits of projects delayed.</td>
<td>Well-developed operational back up, deployment and contingency processes and monitoring.</td>
<td>MANUFACTURED CAPITAL: Optimising efficiency INTELLIGENT CAPITAL: Leading the way with new innovation</td>
</tr>
<tr>
<td>Disruptive competitor behavior</td>
<td>Aggressive/irrational pricing behaviour, new operators, increase in competitor capacity.</td>
<td>Reduction in yield or loss of market share, revenue, EBIT and ROIPE.</td>
<td>Monitor competitor landscape, maintain competitive positioning and continue to innovate.</td>
<td>INTELLIGENT CAPITAL: Leading the way in innovation</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to fleet demand</td>
<td>Changes in customer demand will impact our business model as vehicle sales is an integrated part. This can be caused by a range of reasons including introduction of eRVs, new entrants, quality failures, new markets with different demands.</td>
<td>Can’t exit fleet vehicles or margins reduce resulting in higher real depreciation and lower ROIPE.</td>
<td>Stay on top of latest vehicle market trends and review strategy to stay in line.</td>
<td>FINANCIAL CAPITAL: Shareholder value MANUFACTURED CAPITAL: Optimising efficiency INTELLIGENT CAPITAL: Leading the way in innovation</td>
</tr>
<tr>
<td>Medium to long term</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate change / Climate action</td>
<td>Changing climate resulting in more extreme weather events, as well as increased awareness from people of the impact of travel on climate change.</td>
<td>Operational disruption. Reduction in international travel leading to loss of key markets.</td>
<td>Adapt business model towards zero emissions and monitor and adapt to climate related events.</td>
<td>NATURAL CAPITAL: Protecting and enhancing our environment</td>
</tr>
<tr>
<td>Long term</td>
<td></td>
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</table>
### New Zealand Rentals
from success to success

The EBIT performance of $31.5M was an increase of 23% ($5.8M) on the prior year. EBIT margin was 21.2% versus 19.0% last year, and the ROFE was 19.8% versus 17.9% last year. A record result in dollar terms and ROFE achievement.

The business is performing well and is positioned for further growth this year.

Underlying the strong performance in New Zealand is a rentals business that is continuing to grow year-on-year. Off the back of this strong demand, yields have continued to increase and the shoulder season continues to grow in both activity and yield. Rental revenue increased by 11% for the year.

Operational delivery improved in FY20 and we need to raise our standards further this high season, and is continuing to grow year-on-year.

The NZ business model continues to grow and operate more efficiently across all parts of the business. Fleet repairs remains a critical area for the business, and with Takanini RVSC, we are growing our internal workshop capabilities and increasing our capacity to service the private market. Retail accessories and service revenue increased 31% compared to prior year, with online sales increasing over 90%. RVSC has reaffirmed its position as the largest RV dealership in NZ.

The competitive landscape has remained stable in the last 12 months, with no significant changes to the market.

The outlook for FY20 remains positive, with an expectation of positive rental revenue growth, some vehicle sales growth and development of ongoing efficiencies in the business.

<table>
<thead>
<tr>
<th>Rental revenue (NZD)</th>
<th>+11%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle sales revenue (NZD)</td>
<td>+8%</td>
</tr>
<tr>
<td>EBIT (NZD)</td>
<td>+23%</td>
</tr>
</tbody>
</table>

### Australian Rentals
resilient performer

The Australian EBIT result of AU$10.6M was up AU$0.6M on the prior year - an increase of 6%, or 7% in NZD terms.

The business has been improving year-on-year and this year achieved a ROFE of 13.9%. This improvement on last year’s 12.3% is pleasing, given the dealer bad debt issue in Queensland.

Total rental revenue improved 7% on the prior year. The long-haul markets are stable and our positioning in the domestic market is strong. Our capability in revenue management has continued to evolve, which has contributed to the result.

Total vehicle sales, including flex-fleet, for the year were 562, compared to 664 in the prior period. The decline of 15% on the prior year reflected a lower core fleet sale number, as well as a lower number of short term (flex-fleet) stock for the year.

The vehicle sales result was impacted by softening consumer confidence since December and the insolvency of a Queensland dealer. Since the May 2019 federal election, the market has stabilised somewhat; however, there are still market concerns over the softening of the caravan sales market, which affects some of our competitors.

The dealer insolvency in Queensland was the first such event in recent history for thl on a global basis. The impact of the dealer write-off and the lost margin on sale for the year was close to AU$1M. An in depth review was conducted of all processes and procedures leading up to, and including, the insolvency event.

We had strong processes in place that prevented this fraudulent situation from being significantly larger and have created new processes globally within thl to prevent such occurrences in the future. Unfortunately, it is standard practice to have some finance terms within the automotive dealer industry globally. Since the event, new dealer relationships have been established in Queensland. Fleet operating expense cost control is now set as a fundamental foundation for acceptable performance in the Australian business. Costs remained at or below expectation for the year.

The outlook for the business is generally positive with the one-off dealer debtor issue behind us. With broader tourism growth slowing, we are expecting single digit revenue growth and some vehicle sales growth. EBIT growth in FY20 will be softer than the prior few years, however we remain confident in achieving ROFE improvements and the future outlook for the business.

<table>
<thead>
<tr>
<th>Rental revenue (AUD)</th>
<th>+7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle sales revenue (AUD)</td>
<td>-12%</td>
</tr>
<tr>
<td>EBIT (AUD)</td>
<td>+6%</td>
</tr>
</tbody>
</table>
Without any doubt, it has been a disappointing and difficult year for the USA business. Throughout the year, thl has very openly reported the issues and the action plan for remodelling.

While we expect the USA FY20 result will not recover to prior years’ levels, we are absolutely focused on getting the USA business back into shape. We have reviewed our strategy and are confident in our direction. An extensive review was announced in May 2019 and we are well on the way to completing delivery already.

The EBIT result for the USA was US$8.6M, which was down from US$14.6M the prior year. This drop of 41% is dramatic and primarily reflects the vehicle sales shortfalls. The impact hits the P&L in four ways. Firstly, the drop in gross margin from lower vehicle sales volumes. Secondly, from the lower gross margin through lower pricing. Thirdly, from higher operating costs, by holding more fleet than expected. And, finally, through higher depreciation of the excess fleet. The impact hits the P&L through higher depreciation and competition pricing, therefore, has been decreasing, with discounting from retailers and manufacturers creating margin pressure. This has primarily had an impact on the Road Bear RV sales operation, which operates exclusively in wholesale, and has underperformed in FY19 compared to the two previous years, when record volumes and margins were posted. The El Monte RV retail operation has also been impacted by these market conditions, but not to the same degree.

Vehicle sales
The US RV sales market is coming off the back of the two strongest years ever in 2018 and 2017 and, with ten years of growth, is still very sound. The industry has enjoyed positive results in some attempts to attract new, younger markets into RVs and, while tariffs, interest rate dynamics and over-supply generated headwinds in the latter part of 2018 and 2019, the long term market climate for the industry is expected to be positive.

Within thl our revenue for vehicle sales dropped close to 27% in NZD terms. If you review the last few decades of data, you can see these kinds of impacts periodically; however, over the long run, the category has strong single digit growth.

In FY19, we have seen 30-40% declines in shipments of new RVs to the wholesale market and evidence of around half that rate of decline in the retail market. Dealers have been heavily stocked and competition pricing, therefore, has been decreasing, with discounting from retailers and manufacturers creating margin pressure. This has primarily had an impact on the Road Bear RV sales operation, which operates exclusively in wholesale, and has underperformed in FY19 compared to the two previous years, when record volumes and margins were posted. The El Monte RV retail operation has also been impacted by these market conditions, but not to the same degree.

We have been able to use the Road Bear RV dealer networks to sell some of the older, higher mileage El Monte RV product, which operates at a different price point and is, in these times, often more attractive to the very price conscious consumer.

Rentals
While the international rentals market has delivered very pleasing results for FY19, the domestic US market continues to be impacted by increased competition from the peer-to-peer market.

Total rental (services) revenue was US$55.5M, compared to US$56.6M in the prior period - a decrease of 2%.

The repositioning of El Monte RV in the international markets has gone extremely well, with pleasing growth in bookings from the core European markets across each of the last two seasons. The fleet has been refreshed by purchases in FY18 and FY19 and resulted in excellent customer satisfaction results and lowered fleet operating costs. A tighter focus on operational excellence has benefited the El Monte RV brand.

The Road Bear RV brand has delivered another strong year in rentals bookings, with the premium proposition continuing to be well received in the core European markets.

Market and capital review delivery
The review announced in May is well on the way to completion, with property savings of US$100-800k, labour savings of approximately US$1M and operating savings on track.

Two El Monte RV branches have been announced as closing, with significant savings in property and labour costs. We have also made solid progress in driving down operating costs, while improving execution across the rentals operations. These savings will primarily benefit FY21.

The FY20 capital expenditure in the USA will be lowered by approximately US$40M by the end of FY20. This will result in a small increase in fleet age (less than 0.5 years), but this will not impact on the quality proposition for our customers. These decisions have been made with consideration of the flow-on impacts into FY21 rental and sales income.

Gordon Howton is now the ‘General Manager - USA RV Operations’, heading up both the El Monte RV and Road Bear RV brands. Gordon was previously the CM of El Monte RV and, before that, led the NZ rentals and sales operations. Daniel Schneider (previously the owner of Road Bear RV and a consultant to thl) has taken on greater responsibilities, with a focus on vehicle sales in the adapted role of ‘Executive Director USA Operations’. Both Gordon and Daniel report directly to CEO, Grant Webster.

Jerry Hunter, an experienced RV sales leader, has taken on a role spearheading our wholesale operation and Ben Lane, with extensive thl experience in revenue and business development, has been appointed to focus on rentals revenue.

Outlook
The outlook for the USA vehicle sales market is still concerning at the moment, but the key within thl is the adjustment of our purchases down to ensure our rental fleet and total fleet numbers are in line with our expectations and the ROFE goals.

We are a small player in a very large market and are continuing to invest in new vehicles areas and marketing methods.

From a rentals perspective, we have experienced ongoing growth from the international markets and continue to see price pressure from the peer-to-peer market on domestic bookings.

Summary
The USA financial results are not acceptable and the current vehicle sales market conditions are poor. However, our focus at this time is ROFE and business model development, to ensure that we pull funds from the market to reallocate elsewhere and adapt to the current conditions.
Tourism

strong ROFE performance

The tourism group delivered an EBIT result of $12.3M - up from $11.9M in the prior year. Within that, the Kiwi Experience result was down on the prior year and expectations. The ROFE was close to 56%.

The Waitomo business delivered another significant growth year, driven by growth in international visitor arrivals (IVA), with some softening markets. The ROFE of this business is now well in excess of expectations and historical norms. The ROFE result reflects the very strong operating leverage in the business.

The domestic market was down on the prior year, similar to most New Zealand tourism businesses. Other market development was generally in line with international visitor arrivals statistics; however, overall we still appear to be growing share.

Within the Waitomo business, the conversion to retail and food & beverage revenue continues to grow and EBIT margins remained high.

The outlook for Waitomo remains positive, despite concerns within the broader tourism industry regarding slowing growth. With the combination of assets we have in the region, and marketing relationships with Hobbiton and Te Puia, we see some visitor numbers growth for FY20. There are future development opportunities that we are still exploring in the region, and we have further growth options with the Homestead business that we purchased in FY16.

Kiwi Experience had a challenging year. Significant drops in backpacker arrivals from core European source markets had a direct impact on revenue. However, second-half results outperformed the market, with cost reductions, yield growth and marketing initiatives having a positive impact. Kiwi Experience has, for a long time, had a hire-in model for the fleet and, thus, has a very low funds employed requirement. The difficulties in the market at present have been seen before in the backpacker segment in New Zealand throughout different cycles. The fact that Kiwi Experience has no requirement for ongoing capital for fleet puts us in a strong position to continue to weather these conditions.

Within the coming year we will introduce new product lines designed to broaden the customer base and continue the cost reduction process, which provided gains in the second half of FY19. Overall, the expectations are for growth in FY20.

Equity investments

Over the last ten years, thl has found that, in the markets we operate in, it is sometimes appropriate to operate a joint venture business - always with a partner who offers something that we can’t at the time, or in the long term. We would consider all those relationships as positive, enduring and strategically aligned with the global growth considerations for thl.

Togo Group

a positive future remains

The Togo Group direction and performance has been covered in other parts of this report. In short, the investment in the business of NZD $2.8M (NZ 50% share) was $2.1M lower than we had planned. This was due to reduced marketing spend and overheads, given the Togo RV product is not currently creating the depth of engagement we require.

Roadtrippers outperformed expectations and is currently on track with FY20 revenue goals. Togo RV needs more features and development resource, which has been allocated. Highway has not performed in the USA and we have stopped investment there for the interim. The New Zealand Motorhome business continues to grow.

Action Manufacturing

a difficult year; brighter FY20

The FY19 NPAT result of $1.5M (thl 50% share) was well down on last year’s result of $2.9M - a 44% decline. The loss in profitability was specific in nature and broadly fell into two categories. Firstly, costs associated with the acquisition of Fairfax Industries and associated amalgamation and restructuring costs. Secondly, costs associated with new vehicle type development, which were not capitalised. The hours on new product development were substantially higher than in prior years and we will see the benefit of that in future years, with new lower weight materials and a more efficient build design for our core large motorhome fleet.

Production began on the new Platinum product for thl Australia and New Zealand, which lowered productivity; however, the build hours are expected to reduce significantly in FY20. The product has been very well received by the thl rentals businesses. The eRV product is likely a world first and has provided significant lessons and partnership opportunities on a global basis. The development of electric motorhomes could well be a point of competitive advantage for Action into the future.

Sales to external customers such as ambulances, dental health units and parcel delivery vehicles continued strongly in both New Zealand and Australia. The design capabilities within the Action group are now well recognised in the industry and the penetration into the Australian market is pleasing.

The Fairfax acquisition will have substantial benefits into the future for both Action and thl. Disappointingly, the second half of FY19 was very slow for this business from a sales perspective, with a large number of key transport operators in New Zealand reducing orders citing a lack of business confidence in the coming 12 months.

There is an ongoing need for fleet renewal within the transport industry and we have seen orders resume in the last two months. The outlook for Action Manufacturing in FY20 is positive following a year of consolidation in FY19.

Just go expanding

Whilst the Just go business is very small when compared to thl as a whole, it plays an important role in expanding our knowledge of the UK and European market and providing an import vehicle option for New Zealand rentals that benefits both businesses. The Just go NPAT of $244k was up on the prior year result of $204k and we have higher expectations moving forward. The opening of a branch in Scotland is a milestone and, along with an increased focus on vehicle sales, will drive improved profitability for thl.

Revenue (NZD)

EBIT (NZD)

thl Integrated Annual Report 2019

-1%  +3%

Revenue (NZD)

EBIT (NZD)

Equity investments

thl share

Action Manufacturing NPAT (NZD)

-46%

Just go NPAT (NZD)

+20%

Togo Group NPAT (NZD)

-$12.8M

Togo Group NPAT (NZD)
The Directors of Tourism Holdings Limited (thl) are pleased to present to shareholders, the Annual Financial Statements for thl and its controlled entities (together the ‘Group’) for the year to 30 June 2019.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly, in all material respects, the financial position of the Group as at 30 June 2019 and the results of the Group’s operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

This document constitutes the 2019 Annual Report to Shareholders of Tourism Holdings Limited.

This Annual Report is signed on behalf of the Board by:

Rob Campbell    Graeme Wong
Chairman    Director
26 August 2019
Consolidated income statement
For the year ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of services</td>
<td>292,199</td>
<td>273,087</td>
</tr>
<tr>
<td>Sales of goods</td>
<td>130,805</td>
<td>152,790</td>
</tr>
<tr>
<td>Total revenue</td>
<td>423,004</td>
<td>425,877</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>114,378</td>
<td>128,765</td>
</tr>
<tr>
<td>Cross profit</td>
<td>308,626</td>
<td>297,112</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(49,466)</td>
<td>(47,849)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(197,160)</td>
<td>(186,357)</td>
</tr>
<tr>
<td>Other income/(expenses), net</td>
<td>141</td>
<td>24,673</td>
</tr>
<tr>
<td>Operating profit before financing costs</td>
<td>62,163</td>
<td>86,579</td>
</tr>
<tr>
<td>Finance income</td>
<td>67</td>
<td>30</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(11,289)</td>
<td>(9,411)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(11,222)</td>
<td>(9,381)</td>
</tr>
<tr>
<td>Share of profit/(loss) from associates</td>
<td>(246)</td>
<td>(784)</td>
</tr>
<tr>
<td>Share of loss from joint ventures</td>
<td>(11,294)</td>
<td>(245)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>39,893</td>
<td>76,169</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(10,140)</td>
<td>(13,811)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>29,753</td>
<td>62,354</td>
</tr>
<tr>
<td>Earnings per share from profit for the year attributable to the equity holders of the company</td>
<td>23.7</td>
<td>50.8</td>
</tr>
<tr>
<td>Basic earnings per share (in cents)</td>
<td>23.3</td>
<td>49.0</td>
</tr>
</tbody>
</table>

Consolidated statement of comprehensive income
For the year ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>29,753</td>
<td>62,354</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve movement (net of tax)</td>
<td></td>
<td>11,419</td>
</tr>
<tr>
<td>Cash flow hedge reserve movement (net of tax)</td>
<td>(3,645)</td>
<td>1,825</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income for year net of tax</td>
<td>(5,852)</td>
<td>13,244</td>
</tr>
<tr>
<td>Total comprehensive income for year attributable to equity holders of the company</td>
<td>23,901</td>
<td>75,598</td>
</tr>
</tbody>
</table>

The accompanying notes form part of, and should be read in conjunction with, these financial statements.
Consolidated statement of changes in equity
For the year ended 30 June 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>SHARE CAPITAL $000's</th>
<th>RETAINED EARNINGS $000's</th>
<th>CASH FLOW HEDGE RESERVE $000's</th>
<th>OTHER RESERVES $000's</th>
<th>TOTAL EQUITY $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance as at 1 July 2018</td>
<td>180,806</td>
<td>59,725</td>
<td>(838)</td>
<td>10,318</td>
<td>250,011</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year ended 30 June 2019</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedge reserve movement (net of tax)</td>
<td>31</td>
<td></td>
<td>(3,645)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve movement (net of tax)</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td>(3,645)</td>
<td>(2,207)</td>
<td>23,901</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on ordinary shares</td>
<td>10</td>
<td></td>
<td>(33,385)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from employee share scheme reserve</td>
<td>22</td>
<td></td>
<td>84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee share scheme reserve</td>
<td>22</td>
<td></td>
<td></td>
<td>368</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>36,206</td>
<td></td>
<td></td>
<td>3105</td>
<td></td>
</tr>
<tr>
<td>Opening balance as at 1 July 2019</td>
<td>217,012</td>
<td>56,176</td>
<td>(4,483)</td>
<td>8,312</td>
<td>277,017</td>
</tr>
<tr>
<td>Opening balance as at 1 July 2017</td>
<td>171,241</td>
<td>26,552</td>
<td>(2,663)</td>
<td>(1,186)</td>
<td>193,944</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit for the year ended 30 June 2018</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedge reserve movement (net of tax)</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation reserve movement (net of tax)</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transactions with owners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends on ordinary shares</td>
<td>10</td>
<td></td>
<td>(29,181)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of ordinary shares</td>
<td>20</td>
<td>9,324</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from employee share scheme reserve</td>
<td>22</td>
<td>241</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee share scheme reserve</td>
<td>22</td>
<td></td>
<td></td>
<td>326</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>9,565</td>
<td></td>
<td>(29,181)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance as at 30 June 2018</td>
<td>180,806</td>
<td>59,725</td>
<td>(838)</td>
<td>10,318</td>
<td>250,011</td>
</tr>
</tbody>
</table>

Consolidated statement of financial position
As at 30 June 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 $000's</th>
<th>2019 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>407,016</td>
<td>384,160</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>44,180</td>
<td>44,647</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>1,472</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>51,106</td>
<td>52,410</td>
</tr>
<tr>
<td>Investment in associates</td>
<td>4,319</td>
<td>4,188</td>
</tr>
<tr>
<td>Advance to joint venture</td>
<td>625</td>
<td>-</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>507,246</td>
<td>460,577</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8,337</td>
<td>13,534</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>28,964</td>
<td>26,647</td>
</tr>
<tr>
<td>Inventories</td>
<td>56,219</td>
<td>49,788</td>
</tr>
<tr>
<td>Advance to joint venture</td>
<td>976</td>
<td>850</td>
</tr>
<tr>
<td>Current tax receivables</td>
<td>191</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>40</td>
<td>291</td>
</tr>
<tr>
<td>Total current assets</td>
<td>95,227</td>
<td>91,110</td>
</tr>
<tr>
<td>Total assets</td>
<td>602,473</td>
<td>577,387</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>20</td>
<td>217,012</td>
</tr>
<tr>
<td>Other reserves</td>
<td>22</td>
<td>8,312</td>
</tr>
<tr>
<td>Cash flow hedge reserve</td>
<td>31</td>
<td>(4,483)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>21</td>
<td>56,176</td>
</tr>
<tr>
<td>Total equity</td>
<td>277,017</td>
<td>250,011</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>230,980</td>
<td>221,102</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>7,598</td>
<td>2,916</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>22,224</td>
<td>23,053</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>230,002</td>
<td>238,071</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing loans and borrowings</td>
<td>46</td>
<td>221</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>47,489</td>
<td>51,946</td>
</tr>
<tr>
<td>Revenue in advance</td>
<td>25,544</td>
<td>24,565</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>8,409</td>
<td>8,409</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>461</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,514</td>
<td>4,764</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>325,456</td>
<td>327,976</td>
</tr>
<tr>
<td>Total assets and liabilities</td>
<td>602,473</td>
<td>577,387</td>
</tr>
</tbody>
</table>

The accompanying notes form part of, and should be read in conjunction with, these financial statements.
Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from sale of services</td>
<td>298,998</td>
<td>278,145</td>
</tr>
<tr>
<td>Proceeds from sale of goods</td>
<td>130,805</td>
<td>152,790</td>
</tr>
<tr>
<td>Interest received</td>
<td>67</td>
<td>30</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(224,119)</td>
<td>(212,601)</td>
</tr>
<tr>
<td>Purchase of rental assets</td>
<td>(176,075)</td>
<td>(178,096)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(11,134)</td>
<td>(9,411)</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(8,361)</td>
<td>(6,254)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>3,001</strong></td>
<td><strong>10,201</strong></td>
</tr>
</tbody>
</table>

Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of property, plant and equipment</td>
<td>12</td>
<td>1,240</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(3,864)</td>
<td>(2,618)</td>
</tr>
<tr>
<td>Advance to joint ventures</td>
<td>(1,550)</td>
<td>(919)</td>
</tr>
<tr>
<td>Receipts from joint ventures</td>
<td>751</td>
<td>363</td>
</tr>
<tr>
<td>Purchase of intangibles</td>
<td>(407)</td>
<td>(1,085)</td>
</tr>
<tr>
<td>Dividends received from associate and joint ventures</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>(9,589)</td>
<td>(9,393)</td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td><strong>(14,823)</strong></td>
<td><strong>(12,062)</strong></td>
</tr>
</tbody>
</table>

Cash flows from financing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net proceeds from borrowings</td>
<td>(1,677)</td>
<td>15,343</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(29,429)</td>
<td>(22,858)</td>
</tr>
<tr>
<td>Proceeds from share issue (net of issue costs)</td>
<td>30,798</td>
<td>2,805</td>
</tr>
<tr>
<td><strong>Net cash flows used in financing activities</strong></td>
<td><strong>(308)</strong></td>
<td><strong>(6,710)</strong></td>
</tr>
</tbody>
</table>

Net (decrease)/increase in cash and cash equivalents

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>3,001</strong></td>
<td><strong>10,201</strong></td>
</tr>
<tr>
<td><strong>Opening cash and cash equivalents</strong></td>
<td><strong>13,534</strong></td>
<td><strong>6,117</strong></td>
</tr>
<tr>
<td>Exchange gains on cash and cash equivalents</td>
<td>31</td>
<td>488</td>
</tr>
<tr>
<td><strong>Closing cash and cash equivalents</strong></td>
<td><strong>8,857</strong></td>
<td><strong>13,552</strong></td>
</tr>
</tbody>
</table>

Significant non-cash transactions:

During the year ended 30 June 2018, the Group contributed certain assets and liabilities as part of its investment in Togo Group, previously known as TH2connect LLC (TH2) (refer to note 77).
Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of consolidated financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are:

- Income tax (Page 79)
- Property, plant and equipment (depreciation rates, residual values and inventory reclassification) (Page 82)
- Impairment of non-financial assets include investments in associate and joint ventures (Page 89), and goodwill arising from business combinations (Page 87).

Summary of significant accounting policies

a) Consolidation

The Group consolidates its subsidiaries, as these are the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Information on the Group’s subsidiaries can be found in note 19.

b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Company’s functional and presentation currency.

Translation into presentation currency

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
### 1. Segment note (continued)

<table>
<thead>
<tr>
<th>Segment</th>
<th>New Zealand Rental</th>
<th>Tourist Group</th>
<th>Australia Rental</th>
<th>United States Rental</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from external customers</td>
<td>148,650</td>
<td>41,432</td>
<td>83,522</td>
<td>149,400</td>
<td>50,763</td>
<td>314,669</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(19,452)</td>
<td>(1,521)</td>
<td>(14,634)</td>
<td>(15,744)</td>
<td>(194)</td>
<td>(51,545)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(97)</td>
<td>(692)</td>
<td>(33)</td>
<td>(2)</td>
<td>(283)</td>
<td>(1,097)</td>
</tr>
<tr>
<td>Other costs – external</td>
<td>(97,619)</td>
<td>(26,938)</td>
<td>(57,536)</td>
<td>(120,625)</td>
<td>(5,501)</td>
<td>(308,219)</td>
</tr>
<tr>
<td>Operating profit/(loss) before interest and tax</td>
<td>31,492</td>
<td>12,281</td>
<td>11,319</td>
<td>13,029</td>
<td>(5,978)</td>
<td>62,143</td>
</tr>
<tr>
<td>Interest income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(5)</td>
<td>–</td>
<td>(658)</td>
<td>(3,851)</td>
<td>(6,795)</td>
<td>(12,129)</td>
</tr>
<tr>
<td>Share of profit/(loss) from joint ventures and associates</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(11,048)</td>
<td>(12,129)</td>
</tr>
<tr>
<td>Operating profit/(loss) before tax</td>
<td>31,487</td>
<td>12,281</td>
<td>10,695</td>
<td>9,188</td>
<td>(23,756)</td>
<td>39,893</td>
</tr>
<tr>
<td>Taxation</td>
<td>(8,947)</td>
<td>(3,595)</td>
<td>(3,003)</td>
<td>(517)</td>
<td>5,922</td>
<td>(10,140)</td>
</tr>
<tr>
<td>Operating profit/(loss) – after interest and tax</td>
<td>22,540</td>
<td>8,686</td>
<td>7,692</td>
<td>8,671</td>
<td>(17,836)</td>
<td>29,757</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>61,529</td>
<td>451</td>
<td>27,412</td>
<td>92,386</td>
<td>1,742</td>
<td>183,520</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>155,113</td>
<td>23,487</td>
<td>87,007</td>
<td>182,917</td>
<td>58,722</td>
<td>507,246</td>
</tr>
<tr>
<td>Total assets</td>
<td>188,522</td>
<td>25,524</td>
<td>106,336</td>
<td>220,602</td>
<td>61,489</td>
<td>602,473</td>
</tr>
<tr>
<td>Net funds employed</td>
<td>148,378</td>
<td>21,879</td>
<td>72,205</td>
<td>184,291</td>
<td>52,453</td>
<td>479,206</td>
</tr>
</tbody>
</table>

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team together with the Board of Directors, who together make strategic decisions.

Operating profit/(loss) before interest and tax is the main financial measure used by the CODM to review the Group’s performance. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the CODM.

Inter-segment transactions such as Group Support Services recharges are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. All revenue is reported to the executive team on a basis consistent with that used in the income statement.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. The investments and derivatives designated as hedges of borrowings are allocated to “Other segment”. Net funds employed are total assets less segment non-interest-bearing liabilities and cash on hand.
Notes to the consolidated financial statements (continued)

2. Revenue

NZ IFRS 15 ‘Revenue from contracts with customers’

Effective 1 July 2018, the Group adopted NZ IFRS 15 ‘Revenue from Contracts with Customers’ on a modified retrospective basis. On adoption the Group reassessed the revenue policies and concluded that in regards to the rental of motorhomes, a lease component has been identified and accordingly this portion of revenue is recognised under NZ IAS 17 (prior to adoption of NZ IFRS 15) as opposed to under NZ IFRS 15. This does not have any impact on revenue recognition, however does affect the disclosure thereof. Refer to the Rental Revenue paragraph below.

Comparatives continue to be reported under NZ IAS 18 and have therefore not been restated and no adjustment was made to the opening retained earnings amount as at 1 July 2018.

Revenue recognition processes and accounting policies have been amended to ensure that the five-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition across the Group.

The revenue earned by the Group is derived from the satisfaction of one or more performance obligations, which are satisfied at or over a similar period.

(i) Sales of services
Sales of services comprises of rental revenue and service revenue.

Rental Revenue (in accordance with NZ IAS 17)

Rental revenue is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction where the rental covers a period of more than one day. The rental revenue is recognised on a straight-line basis based on the number of days of the booking that have occurred by year end as a proportion of the total number of days in the booking. The portion of the revenue that occurs after year end is shown as Revenue in Advance on the statement of financial position.

Service Revenue

Service Revenue comprises various performance obligations (rental add-ons such as accessories and insurance), in which satisfaction in most cases occurs evenly over the rental period and is recognised accordingly. The Group recognises this revenue over time, as the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs.

Sales from tourism services are recognised when the service is rendered to the customer and are recognised in the accounting period in which the performance obligation is satisfied, being when the customer obtains the benefit from the service. It relates to the satisfaction of a number of performance obligations at a point in time; the contract price that is determined for any single performance obligation is based with reference to the stand alone price and no significant financing components exist, as the transaction is settled within 12 months from the transaction date. There are no costs to obtain or fulfil the contract.

The Group prices its products/services on a fixed basis and the pricing is fixed and determinable when the duly executed agreement is finalised. The Group does not have a variable component to its pricing. It has also been determined that there are no significant financing components as part of the Group’s sale of services arrangements. The Group does not provide for returns or refunds in the contracts with its customers.

Revenue from these sales is recognised net of the estimated discounts or other promotions. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

The Group recognises the contract liability which represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. It relates to the payments and deposits from the customers and are disclosed as Revenue in Advance on the statement of financial position. The opening balance of the contract liability has been fully recognised in revenue in FY18 and there is no material revenue recognised in FY19 related to the performance obligations met in the previous periods. The average timing of satisfaction of performance obligations in relation to the payment of the contract liability is between 1-6 months.

Based on the assessment performed by the Group, there is no material impact of the revised standard on the Group’s revenue recognition and accordingly no transition adjustments have been made.

(ii) Sales of goods

The Group sells a range of motorhomes, accessories and other merchandise. Sales are recognised when control of the goods has transferred, being when the goods are handed over to the customer and the customer has the ability to direct the use of the goods. It relates to the satisfaction of a single performance obligation at a point in time; the contract price is determined and no significant financing components exist as the transaction is settled within 12 months from the transaction date and no costs to obtain or fulfil the contract.

2. Revenue (continued)

Sales of services

Sale of services includes revenue from rental of motorhomes, Wi-Fi, accessories and additional services relating to the rental of motorhomes and the sale of tourism experiences (Kiwi Experience and Waitomo).

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental revenue</td>
<td>197,210</td>
<td>179,757</td>
</tr>
<tr>
<td>Service revenue</td>
<td>94,089</td>
<td>93,330</td>
</tr>
<tr>
<td>Total sale of services</td>
<td>291,299</td>
<td>273,087</td>
</tr>
</tbody>
</table>

Future minimum rental revenue under non-cancellable operating leases

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>7,244</td>
<td>7,059</td>
</tr>
<tr>
<td>Within one to two years</td>
<td>7</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>7,251</td>
<td>7,059</td>
</tr>
</tbody>
</table>

Sale of goods

- Cost of goods includes the net book value of ex-rental fleet sold and the purchase price of new vehicles, trade-ins and retail goods sold.
- Vehicle selling expenses consists primarily of amounts paid by thl to third party warranty providers, and costs incurred under warranty claims.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of goods</td>
<td>130,805</td>
<td>152,790</td>
</tr>
<tr>
<td>Cost of goods</td>
<td>(113,176)</td>
<td>(128,401)</td>
</tr>
<tr>
<td>Vehicle selling expenses</td>
<td>(1,197)</td>
<td>(1,364)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(114,373)</td>
<td>(129,765)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>16,432</td>
<td>23,025</td>
</tr>
</tbody>
</table>

3. Other operating income/(expenses), net

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss)/gain on disposals of non-fleet assets*</td>
<td>(2)</td>
<td>24,657</td>
</tr>
<tr>
<td>Other non-fleet rental income</td>
<td>143</td>
<td>16</td>
</tr>
<tr>
<td>Other operating income</td>
<td>141</td>
<td>24,673</td>
</tr>
</tbody>
</table>

* In February 2018, the Group entered into agreements to contribute its investments in Roadtrippers USA and Roadtrippers Australasia, its Highway business, the Togo Fleet (previously known as Cosmic) rental and RV industry platform, certain other intangible assets and cash to create a joint venture, Togo Group with Thel Industries, a motorhome manufacturer in the United States. The Group recognised a gain of $24,322k as a result of the disposal of the above investments and assets (refer to note 17).
Notes to the consolidated financial statements (continued)

4. Profit before tax includes the following specific expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12</td>
<td>51,545</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>16</td>
<td>1,097</td>
</tr>
<tr>
<td>Rental and operating lease costs</td>
<td></td>
<td>12,204</td>
</tr>
<tr>
<td>Raw materials and consumables</td>
<td></td>
<td>1,532</td>
</tr>
<tr>
<td>Repairs and maintenance including damage repairs</td>
<td></td>
<td>27,643</td>
</tr>
<tr>
<td>Internal audit fees</td>
<td>165</td>
<td>153</td>
</tr>
<tr>
<td>Net foreign exchange losses/(gains)</td>
<td></td>
<td>20 (103)</td>
</tr>
</tbody>
</table>

Audit fees – PricewaterhouseCoopers

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of financial statements</td>
<td>475</td>
<td>425</td>
</tr>
<tr>
<td>Audit of implementation of new accounting standards</td>
<td>38</td>
<td>54</td>
</tr>
</tbody>
</table>

Other fees – PricewaterhouseCoopers

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration benchmarking</td>
<td>31</td>
<td>–</td>
</tr>
<tr>
<td>Treasury services</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Agreed upon procedures</td>
<td>19</td>
<td>9</td>
</tr>
<tr>
<td>Other services</td>
<td>20</td>
<td>16</td>
</tr>
</tbody>
</table>

Total fees paid to PricewaterhouseCoopers: 598 $000’s

Notes on fees paid to auditor:

i. Treasury services includes treasury advisory services.

ii. Agreed upon procedures in relation to Waitomo lease compliance, the interim financial statements and the Annual Meeting.

iii. Other services include an assurance engagement for the interim financial statements and assistance with the compilation of subsidiary financial statement.

During the year ended 30 June 2018, the Group incurred transaction costs of $1.2M in relation to the investment in Togo Group (refer to note 17). These costs are included in the administration expenses in the Group’s financial statement of comprehensive income.

5. Employee benefits expense

Employee entitlements to salaries and wages and annual leave to be settled within 12 months of the reporting date represent present obligations resulting from employees’ services provided up to the reporting date. These are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay.

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>80,548</td>
<td>78,317</td>
</tr>
<tr>
<td>Share-based payment costs (note 33)</td>
<td>368</td>
<td>326</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>3,656</td>
<td>1,946</td>
</tr>
<tr>
<td>Total employee remuneration</td>
<td>83,552</td>
<td>80,599</td>
</tr>
</tbody>
</table>

Notes to the consolidated financial statements (continued)

6. Finance income

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>87</td>
<td>30</td>
</tr>
<tr>
<td>Total finance income</td>
<td>87</td>
<td>30</td>
</tr>
</tbody>
</table>

7. Finance expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank borrowings</td>
<td>11,284</td>
<td>9,387</td>
</tr>
<tr>
<td>Interest on finance leases</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>11,289</td>
<td>9,411</td>
</tr>
</tbody>
</table>

8. Income tax

The Group is subject to income taxes in multiple jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current and deferred income tax

Income tax expenses comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is classified within equity.
8. Income tax (continued)

The Group shall offset current tax assets and current tax liabilities if, and only if, the Group has a legal enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The tax on the profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>39,893</td>
<td>76,169</td>
</tr>
<tr>
<td>Tax calculated at domestic rates applicable to profits in the respective countries</td>
<td>11,287</td>
<td>21,328</td>
</tr>
<tr>
<td>Non-assessable income(1)</td>
<td>(63)</td>
<td>(7,132)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>784</td>
<td>1,373</td>
</tr>
<tr>
<td>Effect of lower federal tax rates in the US(2)</td>
<td>-</td>
<td>(1,759)</td>
</tr>
<tr>
<td>Prior year tax adjustment(3)</td>
<td>(1,868)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>10,140</td>
<td>13,815</td>
</tr>
</tbody>
</table>

(1) As part of the Togo Group investment in February 2018, the Group recognised a non-assessable gain of $24,322k on the contribution (refer to note 17).

(2) In January 2018, the federal corporate tax rate in the United States was reduced from 35% to 21%. This change resulted in a gain of USD$1.3M as at 30 June 2018 related to the re-measurement of deferred tax assets and liabilities of the Group & US subsidiaries for the year ended 30 June 2018.

(3) The prior year tax adjustments include a one-off tax benefit in relation to an allowance under the tax code to carry back tax losses to previous tax years. The tax years that the losses were applied to had a higher tax rate than the losses were previously valued at (refer to note 35).

As a result, the weighted average effective tax rate was 25% (2018: 18%).

9. Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to the equity holders of the Parent ($000s)</td>
<td>29,753</td>
<td>62,354</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares on issue ($000s)*</td>
<td>125,801</td>
<td>122,766</td>
</tr>
<tr>
<td>Basic earnings per share (in cents)</td>
<td>23.7</td>
<td>50.8</td>
</tr>
</tbody>
</table>

* An additional 14,617,436 shares from the pro rata 1 for 9 rights offer (the Rights Offer) were issued in July 2019 (refer to note 20). The issue price of $3.40 per share under the Rights Offer represented a 9.6% discount to the theoretical ex rights price on the record date. As a result, 1,404,329 shares issued as part of the Rights Offer were treated as a bonus issue which have been adjusted in the weighted average number of ordinary shares on issue in both 2019 and 2018 in accordance with NZ IAS 33. The 2018 basic earnings per share has been restated to 50.8 (2018: 51.4), and diluted basic earnings per share has been restated to 49.0 (2018: 49.6).

10. Dividends

The 2018 final and 2019 interim dividends paid in the year ended 30 June 2019 were $17,243k (14 cents per share) and $16,142k (13 cents per share) respectively. The final and interim dividends paid in the year ended 30 June 2018 were $13,234k (11 cents per share) and $15,947k (13 cents per share) respectively.

11. Imputation credits

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>The amount of imputation credits available for use in subsequent reporting periods</td>
<td>5,671</td>
<td>5,096</td>
</tr>
</tbody>
</table>

The above amounts represent the balance of the imputation credit account as at the end of the reporting period adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
12. Property, plant and equipment

In this section

This section describes the assets that the Group uses in the business to generate profit, including:

- Property, plant and equipment
- Leased assets
- Inventory
- Intangible assets

12. Property, plant and equipment

Property, plant and equipment are made up of the following assets:

- Motorhomes - this comprises the rental fleet of the Rentals New Zealand, Rentals Australia and Rentals United States businesses. Motorhomes that are held for sale are reclassified from property, plant and equipment to inventory (as shown in the table below);
- Motor vehicles - this comprises vehicles owned by the business, including shuttles and company cars;
- Land and buildings - this comprises owned land and buildings in Waitomo;
- Other plant and equipment - this comprises office equipment, furniture, and other plant used to operate the business; and
- Capital work in progress - this represents capital purchases and projects that are not yet in service. The most significant work in progress relates to motorhome fleet built for the next season.

**Notes to the consolidated financial statements (continued)**

**Section B – Assets used to generate profit**

**Property, plant and equipment (continued)**

The Group estimates the residual values of the fleet in order to depreciate motorhome assets using the straight-line method. The Group has considered the appropriateness of the residual values and useful lives that have been used by reviewing the gains/losses made on recent sales, and forecasts, of similar motorhomes. The estimated useful lives of motorhomes on the rental fleet are 1 - 6 years. This results in annual depreciation rates as a percentage of the original costs of between 5% and 15% for motorhomes. If the depreciation rate increase/(decrease) by 1% for motorhomes, the depreciation expense will increase/(decrease) by approximately $4.7M for the year.

Depreciation on other assets is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Buildings &amp; leasehold improvements</th>
<th>7 - 40 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles (non-fleet)</td>
<td>5 - 10 years</td>
</tr>
</tbody>
</table>

The assets’ useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 16).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

<table>
<thead>
<tr>
<th>Year ended 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motorhomes</strong></td>
</tr>
<tr>
<td>At 1 July 2018</td>
</tr>
<tr>
<td>Additions and transfers from work in progress (net)</td>
</tr>
<tr>
<td>Disposals</td>
</tr>
<tr>
<td>Exchange differences</td>
</tr>
<tr>
<td>Depreciation charge</td>
</tr>
<tr>
<td>Closing net book amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motorhomes</strong></td>
</tr>
<tr>
<td>Cost</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>Net book amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less reclassification of motorhomes to inventory at balance date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motorhomes</strong></td>
</tr>
<tr>
<td>Cost</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
</tr>
<tr>
<td>Net book amount reclassified</td>
</tr>
<tr>
<td>Closing net book amount post reclassification</td>
</tr>
</tbody>
</table>

Land and buildings are shown at historical cost, less subsequent accumulated depreciation for buildings. Land is not depreciated. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
12. Property, plant and equipment (continued)

<table>
<thead>
<tr>
<th></th>
<th>MOTORHOMES $000's</th>
<th>MOTOR VEHICLES $000's</th>
<th>LAND AND BUILDINGS $000's</th>
<th>OTHER PLANT AND EQUIPMENT $000's</th>
<th>CAPITAL WORK IN PROGRESS $000's</th>
<th>TOTAL $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 30 June 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 July 2017</td>
<td>311,134</td>
<td>1,151</td>
<td>17,073</td>
<td>9,899</td>
<td>22,549</td>
<td>361,806</td>
</tr>
<tr>
<td>Additions and transfers from work in progress (net)</td>
<td>175,725</td>
<td>416</td>
<td>367</td>
<td>1,731</td>
<td>6,436</td>
<td>184,695</td>
</tr>
<tr>
<td>Disposals</td>
<td>(104,957)</td>
<td>(406)</td>
<td>(863)</td>
<td>(128)</td>
<td>-</td>
<td>(106,351)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>21,415</td>
<td>42</td>
<td>227</td>
<td>268</td>
<td>2</td>
<td>21,954</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(40,517)</td>
<td>(337)</td>
<td>(1,573)</td>
<td>(3,617)</td>
<td>-</td>
<td>(4,604)</td>
</tr>
<tr>
<td>Closing net book amount</td>
<td>362,800</td>
<td>866</td>
<td>15,231</td>
<td>8,156</td>
<td>29,007</td>
<td>416,060</td>
</tr>
<tr>
<td>As at 30 June 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>455,994</td>
<td>1,841</td>
<td>27,110</td>
<td>21,747</td>
<td>29,007</td>
<td>535,699</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(91,194)</td>
<td>(975)</td>
<td>(1,879)</td>
<td>(13,591)</td>
<td>-</td>
<td>(119,639)</td>
</tr>
<tr>
<td>Net book amount</td>
<td>362,800</td>
<td>866</td>
<td>15,231</td>
<td>8,156</td>
<td>29,007</td>
<td>416,060</td>
</tr>
<tr>
<td>Less reclassification of motorhomes to inventory at balance date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>42,350</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,350</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(10,450)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10,450)</td>
</tr>
<tr>
<td>Net book amount reclassified</td>
<td>31,900</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,900</td>
</tr>
<tr>
<td>Closing net book amount post reclassification</td>
<td>330,000</td>
<td>866</td>
<td>15,231</td>
<td>8,156</td>
<td>29,007</td>
<td>384,160</td>
</tr>
</tbody>
</table>

13. Capital commitments

Capital commitments relates to the build of the Group’s fleet for the following year. Capital expenditure contracted for at balance date but not yet incurred is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>65,387</td>
<td>67,567</td>
</tr>
</tbody>
</table>

14. Operating leases

The Group predominantly leases its premises in New Zealand, Australia and the United States under operating lease arrangements. The leases vary in terms, escalation clauses and renewal rights. The significant portion of the risks and rewards of ownership are retained by the lessor and, therefore, they are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>10,702</td>
<td>11,127</td>
</tr>
<tr>
<td>One to five years</td>
<td>31,521</td>
<td>38,758</td>
</tr>
<tr>
<td>Beyond five years</td>
<td>18,328</td>
<td>18,394</td>
</tr>
<tr>
<td></td>
<td>60,551</td>
<td>68,269</td>
</tr>
</tbody>
</table>

15. Inventories

Inventories are made up of the following categories:

- Raw materials – this comprises parts, factory and workshop stock;
- Motorhomes held for sale - this mainly comprises ex-rental fleet which are now on the sale yard and also includes new fleet and trade-ins for sale;
- Finished goods - this comprises living equipment to be used in motorhomes and retail shop stock; and
- Inventory provision - a provision is created to allow for the value of inventory which is no longer useable or to recognise the net realisable value when it is lower than cost.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Rental assets held for sale at balance date have been reclassified as inventory.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>5,117</td>
<td>3,649</td>
</tr>
<tr>
<td>Motorhomes held for sale</td>
<td>47,172</td>
<td>41,168</td>
</tr>
<tr>
<td>Finished goods</td>
<td>4,515</td>
<td>5,085</td>
</tr>
<tr>
<td>Provision for obsolescence</td>
<td>(193)</td>
<td>(114)</td>
</tr>
<tr>
<td></td>
<td>56,219</td>
<td>49,788</td>
</tr>
</tbody>
</table>
16. Intangible assets

Intangible assets of the Group comprise:

- Brands – the brand value acquired relates to the Road Bear RV brand of the United States’ rentals business;
- Goodwill – this relates to the Kiwi Experience, Road Bear and El Monte RV business combinations;
- Trademarks, leases and licences – thl has a licence to operate the Waitomo Glowworm Caves until 2027; and licences to operate other caves in the Waitomo region, with licence terms expiring in 2032, 2033 and 2039; and
- Other intangibles – this relates to acquired software licences and software development costs.

Brands
The Road Bear RV brand acquired in the United States rentals business combination was valued using the relief from royalty method and is recognised at fair value at the acquisition date. The brand value is included in the net assets of the cash-generating units. The brand is deemed to have an indefinite life as the Group has determined that there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the entity. The brand is tested annually for impairment and is carried at cost less any accumulated impairment losses.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is considered to have an indefinite useful life. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Trademarks, leases and licences
Trademarks, leases and licences are shown at historical cost of acquisition by the Group less amortisation.

Amortisation of trademarks, leases and licences is calculated using the straight-line method over the life of the underlying assets.

Other intangibles
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense, as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs are recognised as assets and are amortised over their estimated useful lives (three to five years).

Notes to the consolidated financial statements (continued)
Section C – Investments

Notes to the consolidated financial statements (continued)

16. Intangible assets (continued)

The table below details the cash-generating units that goodwill and brands are attributable to.

<table>
<thead>
<tr>
<th></th>
<th>RENTALS $000s</th>
<th>TOURISM-GROUP $000s</th>
<th>TOTAL $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand – goodwill</td>
<td>–</td>
<td>3,126</td>
<td>3,126</td>
</tr>
<tr>
<td>United States of America – goodwill</td>
<td>31,764</td>
<td>–</td>
<td>31,764</td>
</tr>
<tr>
<td>United States of America – brands</td>
<td>841</td>
<td>841</td>
<td>1,682</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,605</td>
<td>3,126</td>
<td>35,731</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand – goodwill</td>
<td>–</td>
<td>3,126</td>
<td>3,126</td>
</tr>
<tr>
<td>United States of America – goodwill</td>
<td>31,542</td>
<td>–</td>
<td>31,542</td>
</tr>
<tr>
<td>United States of America – brands</td>
<td>835</td>
<td>–</td>
<td>835</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>32,377</td>
<td>3,126</td>
<td>35,503</td>
</tr>
</tbody>
</table>

The recoverable amount of a cash-generating unit is determined on value-in-use calculations. These calculations use free cash flow projections based on financial budgets approved by management covering a five year period plus a terminal value calculation. These annual free cash flows are then discounted by a country-specific pre-tax discount rate to arrive at a net present value (or enterprise value) which is compared to the carrying book value. In addition, carrying values are also assessed using alternative valuation metrics, in particular EBIT multiples for similar industry groupings.

The divisional models used by the Group to generate the free cash flow projections incorporate the expected growth rates from markets the businesses operate in, which are compared to Ministry of Business, Innovation and Employment (NZ) and United States Department of Commerce Office of Travel and Tourism Industries’ forecasts for reasonableness. Capital expenditure and disposal proceeds are projected forward based on current build or purchase costs, realisable sale values and expected fleet rotation by vehicle type (for the rentals operations). Costs and revenues are inflated by an expected inflation rate of 2% unless additional specific information is known.

Key assumptions used for value-in-use calculations:

- Weighted average annual growth rates used to extrapolate cash flows. The revenue and cost growth rate used for the Tourism Group calculation represents a recovery from the FY19 performance back to historical levels, in the low Experience business. The terminal growth rate used is 2%.
- Pre-tax discount rate applied to the pre-tax cash flow projections.

The calculated recoverable amount provides sufficient headroom over the carrying value such that it is considered that a reasonable change in the assumptions applied will not result in an impairment of the goodwill balance.

Notes to the consolidated financial statements (continued)

17. Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group’s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group’s interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

After application of the equity method, including recognising joint venture’s profits / losses in accordance with the accounting policies above, the Group determines whether there is any objective evidence that its net investment in joint venture is impaired. The net investment in joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. The carrying amount of the investment is tested for impairment in accordance with NZ IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, advances to joint ventures have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced. Where appropriate, the historical loss rates are adjusted to reflect current and forward-looking information.

In this section

TN’s investments comprise subsidiaries, associate and joint ventures. This section explains the investments held by TN, providing additional information, including:

- a) Accounting policies, judgements and estimates that are relevant for measuring the investments;
- b) Analysis of TN’s associate and joint ventures.

TN’s investments include a 50% interest in Action Manufacturing, a business that manufactures motorhomes for the Group’s New Zealand and Australian business segments and other specialty vehicles for external customers; and a 50% joint venture investment in Togo Group. Togo Group is based in the United States and provides digital services to RV owners and operators, and operates the Mighway and Roadtrippers businesses. During the year, Togo Group sold its interest in Roadtrippers Australasia to Outdoria, an Australia-based global online marketplace platform that advertises, markets and facilitates the sale of products, services and events for outdoor-related activities. In exchange for the assets sold, Outdoria agreed to exchange a 35% interest in Outdoria stock. The fair value of exchanged interests was US$19M. Other investment includes a 49% interest in Just Go, a motorhome rental operation in the United Kingdom.
17. Joint ventures (continued)

Togo Group

In February 2018, the Group entered into agreements to contribute its investment in Roadtrippers USA and Roadtrippers Australasia, its Mighway business, the Togo Fleet rental and RV industry platform, certain other intangible assets and cash to form a joint venture, Togo Group, with Thor Industries, a motorhome manufacturer in the United States. Each partner owns 50% of Togo Group. Due to the nature of the contractual rights and obligations, Togo Group is classified as a joint venture for accounting purposes and accounted for using the equity method.

Togo Group provides digital services to RV owners and operators (Togo Fleet), and operates the Mighway and Roadtrippers businesses.

The assets and liabilities contributed as part of the investment in Togo Group are as follows:

<table>
<thead>
<tr>
<th>2018 $000's</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>252</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,040</td>
</tr>
<tr>
<td>Investments in joint ventures and associates</td>
<td>7,631</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>10,923</strong></td>
</tr>
<tr>
<td>Cash (paid as part of the consideration)</td>
<td>4,051</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>633</td>
</tr>
<tr>
<td>Inventories</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>4,687</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>15,610</strong></td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>(89)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>(89)</strong></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>542</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>420</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>1,062</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,062</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>15,610</strong></td>
</tr>
</tbody>
</table>

Net assets contributed | 14,737 |

In return for the assets and liabilities contributed, Togl received its investment in Togo Group. The fair value of the intangible assets that were contributed to Togo Group was supported by an independent third party valuation.

In accordance with IAS28, the Group has only recognised the gain on sale in relation to the portion of Togo Group that is held by Thor Industries and does not remain under ownership of Togl. The gain on sale was $24,322k before tax and transaction costs, in relation to the transaction.

Net cash paid in March 2018 as part of the investment in Togo Group was $4,051k. A further investment of $5,192k was made in June 2018. This investment was made to fund a planned tax payment that arose as part of the legal restructure of Roadtrippers Inc as part of the Togo Group transaction.

Togl made further investments of $9,589k into Togo Group during the 2019 financial year.

Notes to the consolidated financial statements (continued)

Analysis of Togo Group

The following amounts represent the sales and results, and assets and liabilities of 100% of Togo Group in NZD:

<table>
<thead>
<tr>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,146</td>
</tr>
<tr>
<td>Expenses</td>
<td>(32,110)</td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>(25,965)</td>
</tr>
</tbody>
</table>

The loss before income tax of Togo Group includes depreciation and amortisation expense of $4,498k (2018: $614k). Togl’s share of losses before tax from Togo Group has been included in Togl’s tax calculation.

<table>
<thead>
<tr>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>135,197</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>135,197</td>
</tr>
<tr>
<td>Investment in Outdoria</td>
<td>2,588</td>
</tr>
<tr>
<td>Outdoria loan receivable</td>
<td>655</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>138,314</strong></td>
</tr>
<tr>
<td>Current assets</td>
<td>3,555</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>141,869</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>4,276</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>4,276</strong></td>
</tr>
<tr>
<td><strong>Net assets/(liabilities)</strong></td>
<td><strong>138,193</strong></td>
</tr>
<tr>
<td><strong>The Group’s 50% share of Togo Group net assets/(liabilities)</strong></td>
<td><strong>69,097</strong></td>
</tr>
</tbody>
</table>

There are no contingent liabilities relating to the Group’s interest in Togo Group, and no contingent liabilities in the venture itself.

The Group’s recognised interest in Togo Group

The following table sets out the Group’s interest in Togo Group:

<table>
<thead>
<tr>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of investment in Togo Group initially recognised</td>
<td>38,976</td>
</tr>
<tr>
<td>Subsequent investment in Togo Group</td>
<td>14,781</td>
</tr>
<tr>
<td>Losses recognised against the investment balance</td>
<td>(15,501)</td>
</tr>
<tr>
<td>Foreign exchange revaluation gain/(loss)</td>
<td>4,053</td>
</tr>
<tr>
<td><strong>Net investment recognised</strong></td>
<td><strong>42,309</strong></td>
</tr>
<tr>
<td>Advance opening balance</td>
<td>819</td>
</tr>
<tr>
<td>Net cash (repayment)/advances during the period</td>
<td>(362)</td>
</tr>
<tr>
<td>Advance closing balance</td>
<td>457</td>
</tr>
<tr>
<td><strong>Net interest in Togo Group</strong></td>
<td><strong>42,766</strong></td>
</tr>
</tbody>
</table>
17. Joint ventures (continued)

The cash advance from the Group is a trade account. The balance is determined on a monthly basis and is payable in the following month. Interest is not payable on the advance.

In July 2019 the Group entered an agreement to advance loans of up to US$8.2M to Togo Group throughout FY20. The loans to Togo Group will not be called upon by thl before 1 August 2020.

The Group’s share of losses from Togo Group for the year ended 30 June 2019 was $12,829k. A valuation of Togo Group was undertaken during the year which supported that no impairment is required against the Group’s net interest in Togo Group. The key assumptions used were around the revenue growth, operating expenses growth, terminal growth rate and the discount rate. As Togo Group is currently in an expansion phase, the revenue and operating expenses are expected to grow significantly over coming years. A terminal growth rate of 3.0% was used, and discount rate of 35.0% was used due to the current expansion phase of the business.

Action Manufacturing LP (AMLP) has a 50% joint venture partner in AMLP, a vehicle manufacturer based in New Zealand. The other 50% partner is Alpine Bird Manufacturing Limited, which is owned by Grant Brady (refer to note 32). Due to the nature of the contractual rights and obligations, AMLP is classified as a joint venture for accounting purposes and accounted for using the equity method. AMLP manufactures motorhomes for the Group’s New Zealand and Australian business segments, and other specialty vehicles for external customers.

The following amounts represent the sales and results, and assets and liabilities of 100% of AMLP:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>74,896</td>
<td>72,475</td>
</tr>
<tr>
<td>Expenses</td>
<td>(71,826)</td>
<td>(66,771)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>3,070</td>
<td>5,704</td>
</tr>
</tbody>
</table>

The profit before income tax of AMLP includes depreciation expense of $818k (2018: $627k) and net finance costs of $662k (2018: $425k). thl’s share of profit before tax from AMLP has been included in thl’s tax calculation.

Analysis of AMLP

<table>
<thead>
<tr>
<th></th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>6,054</td>
<td>2,897</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,814</td>
<td>829</td>
</tr>
<tr>
<td>Current assets</td>
<td>38,991</td>
<td>36,652</td>
</tr>
<tr>
<td></td>
<td>49,859</td>
<td>40,368</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td>32,265</td>
<td>25,745</td>
</tr>
<tr>
<td>Net assets/(liabilities)</td>
<td>17,594</td>
<td>14,624</td>
</tr>
<tr>
<td>The Group’s 50% share of AMLP net assets/(liabilities)</td>
<td>8,797</td>
<td>7,293</td>
</tr>
</tbody>
</table>

There are no contingent liabilities relating to the Group’s interest in AMLP, and no contingent liabilities in the venture itself. The contractual property lease commitment of AMLP is $2,624k (2018: $997k).
Notes to the consolidated financial statements (continued)

18. Investments in associate

**Associates**

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement.

In March 2015, the Group acquired a shareholding of 49.0% in Skewbald Limited (trading as Just go) for GBP £1,744k. Just go is a motorhome rental business operating in the United Kingdom. The investment has been accounted for as an investment in associate, and the Group’s share of associates profits have been recognised with the Group’s investment.

The carrying amounts recognised in the balance sheet are as follows:

**Notes to the consolidated financial statements (continued)**

<table>
<thead>
<tr>
<th></th>
<th>2019 $000s</th>
<th>2018 $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just go</td>
<td>4,319</td>
<td>6,188</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,319</strong></td>
<td><strong>6,188</strong></td>
</tr>
</tbody>
</table>

The carrying amounts recognised in the balance sheet are as follows:

The share of profits/(losses) recognised in the income statement are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000s</th>
<th>2018 $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just go</td>
<td>246</td>
<td>204</td>
</tr>
<tr>
<td>Roadtrippers USA (to 28 February 2018)</td>
<td>0</td>
<td>(988)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>246</strong></td>
<td><strong>(784)</strong></td>
</tr>
</tbody>
</table>

19. Subsidiaries

The principal activities of the Parent company and trading subsidiaries are motorhome rental (Tourism Holdings Australia Pty Limited, 33 Motorcars Inc and El Monte Rents Inc) and attractions (Waitomo Caves Limited). All subsidiaries are 100% owned and therefore the Group is deemed to have control and have been fully consolidated from the date which control has been attained (30 June 2018: 100%). All subsidiaries have 30 June balance dates. Material subsidiary companies included in the Group Financial Statements at 30 June 2019 are:

**NAME** | **COUNTRY OF INCORPORATION**
--- | ---
Tourism Holdings Australia Pty Limited | Australia
Waitomo Caves Limited | New Zealand
33 Motorcars Inc | United States of America
El Monte Rents Inc | United States of America
Tourism Holdings USA Inc | United States of America

Notes to the consolidated financial statements (continued)

Section D – Managing funding

**In this section**

This section explains how the Group manages its capital structure and working capital, the various funding sources and distributions to shareholders. In this section of the notes there is information about:

a) Equity;
b) Debt;
c) Receivables and payables; and
d) Financial instruments.

20. Share capital

**Ordinary shares**

<table>
<thead>
<tr>
<th></th>
<th>2019 Shares $000s</th>
<th>2018 Shares $000s</th>
<th>2019 $000s</th>
<th>2018 $000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>123,136</td>
<td>120,255</td>
<td>180,806</td>
<td>171,241</td>
</tr>
<tr>
<td>Issue of ordinary shares – redeemable ordinary shares converted</td>
<td>403</td>
<td>1,639</td>
<td>2,821</td>
<td></td>
</tr>
<tr>
<td>Transfer from employee share scheme reserve for redeemable shares converted</td>
<td>-</td>
<td>-</td>
<td>84</td>
<td>241</td>
</tr>
<tr>
<td>Issue of ordinary shares – in lieu of directors’ fees</td>
<td>33</td>
<td>42</td>
<td>161</td>
<td>214</td>
</tr>
<tr>
<td>Ordinary shares to be issued – in lieu of directors’ fees accrued at 30 June</td>
<td>-</td>
<td>-</td>
<td>9</td>
<td>(34)</td>
</tr>
<tr>
<td>Ordinary shares issued under Dividend Reinvestment Plan</td>
<td>1,001</td>
<td>1,200</td>
<td>5,154</td>
<td>6,323</td>
</tr>
<tr>
<td>Ordinary shares issued – placement to HB Holdings</td>
<td>7,463</td>
<td>-</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Less transaction cost arising on shares issued</td>
<td>-</td>
<td>-</td>
<td>(213)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>132,036</strong></td>
<td><strong>123,136</strong></td>
<td><strong>217,012</strong></td>
<td><strong>180,806</strong></td>
</tr>
</tbody>
</table>

The total authorised number of ordinary shares is 132,035,883 shares (2018: 123,136,483) and these are classified as equity. The shares have no par value. All ordinary shares are issued and fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

There are 1,855,496 redeemable ordinary shares on issue that are convertible on a 1:1 basis to ordinary shares (2018: 2,358,828). If these convert to ordinary shares per the terms outlined in note 33, total shares on issue will be 133,891,379 (2018: 125,495,311).

In the current year redeemable ordinary shares were converted to ordinary shares in December 2018 (133,333) and April 2019 (369,999). 100,000 redeemable ordinary shares were cancelled in January 2019. There were no issues of redeemable ordinary shares in the current year, as the 2009 Executive Long Term Incentive Scheme was replaced with a new options scheme in 2017 (see note 33).

In the prior year redeemable ordinary shares were converted to ordinary shares in February 2018 (133,333) and April 2019 (369,999). 100,000 redeemable ordinary shares were cancelled in January 2019. There were no issues of redeemable ordinary shares in the current year, as the 2009 Executive Long Term Incentive Scheme was replaced with a new options scheme in 2017 (see note 33).

In the prior year redeemable ordinary shares were converted to ordinary shares in February 2018 (133,333) and April 2019 (369,999). 100,000 redeemable ordinary shares were cancelled in January 2019. There were no issues of redeemable ordinary shares in the current year, as the 2009 Executive Long Term Incentive Scheme was replaced with a new options scheme in 2017 (see note 33).

Ordinary shares were issued to directors in lieu of Directors’ fees per the terms outlined in note 32. Shares were issued in October 2017 (30,731) and April 2018 (11,274). At 30 June 2019 share capital includes an accrual for shares to be issued in lieu of Directors’ fees of $45,000 (2018: $36,000).

In the current year 590,065 ordinary shares were issued in October 2018 at an issue price of $5.283 per share and 413,397 ordinary shares were issued in April 2019 at an issue price of $4.926 per share to shareholders who elected to participate in the Dividend Reinvestment Plan.
20. Share capital (continued)

In the prior year 715,928 ordinary shares were issued in October 2017 at an issue price of $4.806 per share and 484,007 ordinary shares were issued in April 2018 at an issue price of $5.935 per share to shareholders who elected to participate in the Dividend Reinvestment Plan.

In June 2019, the Group announced a placement and pro rata rights offer capital raise. The capital raise comprised an upfront placement of $30M to HB Holdings (a wholly owned subsidiary of the CITIC Capital International Tourism Fund), issuing an additional 7,462,686 shares at a price of $4.02 per share, which settled on 24 June 2019, followed by an approximately NZ$50 million fully underwritten pro rata 1 for 9 rights offer at $3.40 per share, which settled in July 2019 resulting in the issuance of an additional 14,667,436 shares. Incremental directly attributable issue costs of $233k were incurred from the placement and have been netted off against the proceeds of the capital raising at 30 June 2019. Incremental directly attributable issue costs of $1.169M were incurred from the rights offer that was settled in July 2019.

21. Retained earnings

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>59,725</td>
<td>26,552</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>29,753</td>
<td>62,354</td>
</tr>
<tr>
<td>Dividends on ordinary shares</td>
<td>(33,385)</td>
<td>(29,181)</td>
</tr>
<tr>
<td>Transfer from employee share scheme reserve</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td></td>
<td>56,176</td>
<td>59,725</td>
</tr>
</tbody>
</table>

22. Other reserves

**Foreign currency translation reserve**

Exchange differences arising on the translation of foreign operations are taken to the foreign currency translation reserve. When any net investment is disposed of, the related component of the reserve is recognised in profit and loss as part of the gain or loss on disposal.

The closing exchange rates used to translate the balance sheet are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZD/AUD</td>
<td>0.9561</td>
<td>0.9180</td>
</tr>
<tr>
<td>NZD/USD</td>
<td>0.6694</td>
<td>0.6741</td>
</tr>
<tr>
<td>NZD/GBP</td>
<td>0.5234</td>
<td>0.5158</td>
</tr>
</tbody>
</table>

22. Other reserves (continued)

**Employee share scheme**

The employee share scheme reserve is used to recognise the accumulated value of redeemable shares granted which have been recognised in the income statement. In accordance with the Group’s accounting policy, amounts accumulated in the executive share scheme reserve have been transferred to share capital on the exercise of the options or to retained earnings when they have been forfeited (refer to note 33).

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency translation reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>9,756</td>
<td>(1,663)</td>
</tr>
<tr>
<td>Currency translation differences [net of tax]</td>
<td>(2,207)</td>
<td>11,419</td>
</tr>
<tr>
<td>Balance at year end</td>
<td>7,549</td>
<td>9,756</td>
</tr>
<tr>
<td>Employee share scheme reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>562</td>
<td>477</td>
</tr>
<tr>
<td>Value of employee services charged to the income statement</td>
<td>368</td>
<td>326</td>
</tr>
<tr>
<td>Transfer to retained earnings</td>
<td>(83)</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to share capital</td>
<td>(84)</td>
<td>(241)</td>
</tr>
<tr>
<td>Balance at year end</td>
<td>763</td>
<td>562</td>
</tr>
<tr>
<td>Total other reserves</td>
<td>8,312</td>
<td>10,318</td>
</tr>
</tbody>
</table>

23. Borrowings

The guaranteeing group consisting of Tourism Holdings Limited and all New Zealand, Australian and United States 100% owned subsidiaries had, at balance date, a working capital and a multi-option facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited, Westpac New Zealand Limited, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited and has provided a composite first ranking debenture over the assets and undertakings of the Group.

The debt facility is a syndicated facility with ANZ Bank New Zealand Limited as the facility agent.

The facilities are split into term facilities and an interchangeable working capital facility. The interchangeable facility is interchangeable between overdraft, trade finance loans and documentary letter of credit. The documentary letter of credit facility is utilised for the purchase of fleet from Action Manufacturing LP. The renewal of certain facilities occurred in the current financial year.

Current expiry dates are:

<table>
<thead>
<tr>
<th>MATURITY OF DEBT FACILITIES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2020</td>
<td>NZ$10M</td>
<td></td>
</tr>
<tr>
<td>May 2020</td>
<td>NZ$10M</td>
<td></td>
</tr>
<tr>
<td>July 2020</td>
<td>NZ$10M</td>
<td></td>
</tr>
<tr>
<td>September 2020</td>
<td>NZ$10M</td>
<td></td>
</tr>
<tr>
<td>February 2021</td>
<td>NZ$12M</td>
<td></td>
</tr>
<tr>
<td>June 2022</td>
<td>NZ$70M</td>
<td></td>
</tr>
<tr>
<td>July 2022</td>
<td>NZ$74M</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>NZ$316M</td>
<td></td>
</tr>
</tbody>
</table>

The facilities cannot be called for repayment by the banks at a date earlier than the facility’s expiry date above unless an event of default is triggered (e.g. breach of bank covenants, or failure to make a payment when due). No such events of default have been triggered during the current or prior period. The facilities are tested quarterly for covenant compliance.

Interest rates (excluding line fees) applicable at 30 June 2019 on the bank term loans ranged from 2.1% to 5.3% p.a. (2018: 1.9% to 5.3% p.a.).
23. Borrowings (continued)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently
stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value
is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement
of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for borrowing costs
directly attributable to the acquisition, construction or production of a qualifying asset, which are capitalised.

Qualifying assets are those assets that necessarily take an extended period of time (six months or more) to get
ready for their intended use.

2019 $000's 2018 $000's

Non-current
Bank borrowings 210,979 212,056
Finance lease obligations 1 46
Total borrowings 210,980 212,102

Current
Finance lease obligations 46 221
Total borrowings 211,026 212,323

Maturity of non-current portion

Bank loans
One to two years 82,773 86,472
Two to three years 55,006 71,374
Three to five years 73,200 54,210
Finance lease obligations
One to two years 1 46
Two to three years – –
Total 1 46

Floating rate
- Expiring beyond one year 62,478 25,734

The Group has sufficient working capital and undrawn financing facilities to service its operating activities and ongoing
investment in rental motorhomes. The Group has met all banking covenant requirements in the current period.

As part of its risk mitigation strategy, the Group has funded its investment El Monte Rents Inc with USD denominated debt.
The debt acts as a natural hedge of the investment and, hence, has been designated as a hedge of net investments in
foreign operations.

No borrowing costs were capitalised in 2019 (2018: nil).

24. Leased assets in property, plant and equipment

Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease. The
finance leases relate to IT assets.

2019 $000's 2018 $000's

Cost 1,282 1,282
Accumulated depreciation 1,282 1,282
Net book amount 353 353

25. Other commitments

As at 30 June 2019 the Group has a $30m Documentary Letter of Credit facility as part of the interchangeable working capital
facility. The amount drawn at 30 June 2019 was $10,689k (2018: $15,608k).

The outstanding documents are in favour of AMLP (refer to note 17) and are due for payment within 12 months. This is
recognised within ‘trade and other payables’ (refer to note 27).
26. Trade and other receivables

Trade and other receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its trade and other receivables which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced. Where appropriate, the historical loss rates are adjusted to reflect current and forward looking information.

The expected credit loss provision did not change from the provision for impairment of receivables as recognised under NZ IAS 39.

<table>
<thead>
<tr>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>12,342</td>
</tr>
<tr>
<td>Less provision for impairment of receivables</td>
<td>1,097</td>
</tr>
<tr>
<td>Trade receivables - net</td>
<td>11,345</td>
</tr>
<tr>
<td>Prepayments</td>
<td>4,780</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,356</td>
</tr>
<tr>
<td>Receivable under buy-back arrangement</td>
<td>7,493</td>
</tr>
<tr>
<td><strong>Total trade and other receivables</strong></td>
<td><strong>28,964</strong></td>
</tr>
</tbody>
</table>

At June 2019 trade and other receivables includes an amount of $7,493k (June 2018: $7,872k) relating to vehicles purchased under a short term buy-back arrangement. This agreement involves purchasing vehicles to be used in the fleet for a period less than 12 months and then sold back to the supplier. On initial recognition, the Group recognised the cash paid for the vehicles, the price expected to be received upon resale, and the balancing amount of the two is considered the lease expense. The transaction is accounted for as an operating lease on the basis that:

- the Group has an economic incentive to exercise their put option (selling the vehicles back to the supplier);
- the Group have the right to use the vehicles for a fixed period at a predetermined price; and
- the vehicles do not meet the definition of property plant and equipment.

Due to low risk of the counterparties for these arrangements, the assessed expected credit losses are immaterial.

28. Financial instruments

Classification of financial assets

On the date of initial application of NZ IFRS 9, 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through Other Comprehensive Income (FVOCI) or through profit or loss;
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

27. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

<table>
<thead>
<tr>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>29,467</td>
</tr>
<tr>
<td>Accrued expenses and other payables</td>
<td>18,022</td>
</tr>
<tr>
<td><strong>Total trade and other payables</strong></td>
<td><strong>47,489</strong></td>
</tr>
</tbody>
</table>
### Notes to the consolidated financial statements (continued)

#### Section E – Managing risk

**In this section**

This section explains the financial risks the Group faces, how these risks affect the Group’s financial position and performance, and how the Group manages these risks. In this section of the notes there is information:

- a) Outlining the Group’s approach to financial risk management; and
- b) Analysing financial (hedging) instruments used to manage risk.

In the normal course of business the Group is exposed to a variety of financial risks including foreign currency, interest rate, credit and liquidity risks. To manage this risk the Group’s treasury activities are performed by a central treasury function and are governed by Group policies approved by the Board of Directors.

The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group does not enter into derivative financial instruments for trading or speculative purposes.

#### 29. Financial risk management

**Currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian dollar and the United States dollar. Foreign exchange risk arises when future commercial transactions are in currencies other than functional currency.

Foreign exchange exposures on future commercial transactions incurred by operations in currencies other than their functional currency are managed by using forward currency contracts in accordance with the Group’s treasury policy.

The Parent makes purchases in foreign currency and is exposed to foreign currency risk. This is managed by utilisation of forward currency contracts from time to time in accordance with the Group’s treasury policy.

**Exchange rate sensitivity**

The following table shows the impact of a 5 cent movement up or down in the New Zealand dollar vs the Australian dollar and United States dollar and the impact that this exchange rate change has on reported net profit after tax and equity. The table shows the post-tax impact on reported profit and equity in relation to currency risk, as described above, and does not include the impact of translation risk, as described in note 22. A 5 cent change is considered a reasonable possible change based on prior year movements.

<table>
<thead>
<tr>
<th>Post-tax impact on reported profit and equity of:</th>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>A 5 cent increase in the NZ dollar vs the AU dollar</td>
<td>1 (6)</td>
<td>(10) (29)</td>
</tr>
<tr>
<td>A 5 cent decrease in the NZ dollar vs the AU dollar</td>
<td>(3) 8</td>
<td>10 (29)</td>
</tr>
</tbody>
</table>

**Interest rate risk**

The Group’s interest rate risk primarily arises from long-term borrowings, cash and cash equivalents and the advance to Action Manufacturing LP. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate derivative contracts. Such interest rate derivative contracts have the economic effect of converting borrowings from floating rates to fixed rates. Generally the Group raises long term borrowings at floating rates that are lower than those available if the Group borrowed at fixed rates directly.

Under the interest rate derivative contracts, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group maintains cash on overnight deposit in interest bearing bank accounts.

The following tables set out the interest rate repricing profile and current interest rate of the interest bearing financial assets and liabilities.
Notes to the consolidated financial statements (continued)

29. Financial risk management (continued)

### Interest rate sensitivity

At year-end the value of interest rate derivative contracts used as cash flow hedges were subject to interest rate risk in relation to the value recognised in equity. If interest rates moved by 1.0% across the yield curve then the impact on the fair value of the swaps on equity is shown in the following table. A movement of 1.0%, or 100bps, is considered by management as a reasonable estimate of a possible shift in interest rates for the year based on historic movements. As the interest rate swaps were effective as at 30 June 2019 there is no impact on the income statement in relation to the valuation of the interest rate swaps.

#### Notes to the consolidated financial statements (continued)

<table>
<thead>
<tr>
<th>Notes to the consolidated financial statements (continued)</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post tax impact on equity of a 1.0% move in interest rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>An increase in interest rates of 1.0% across the yield curve</td>
<td>2,982</td>
<td>3,574</td>
</tr>
<tr>
<td>An decrease in interest rates of 1.0% across the yield curve</td>
<td>(5,131)</td>
<td>(5,664)</td>
</tr>
</tbody>
</table>

#### Credit risk

The Group has a concentration of credit risk in respect of the amount outstanding from the buy-back arrangement and other receivables. The Group has no other significant concentrations of credit risk. Policies are in place to ensure that wholesale sales of products and other receivables arising are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Derivative contract counterparties and cash on deposit are limited to high credit rated quality financial institutions.

The Group considers its maximum exposure to credit risk as follows:

<table>
<thead>
<tr>
<th>Notes to the consolidated financial statements (continued)</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balances</td>
<td>8,837</td>
<td>13,534</td>
</tr>
<tr>
<td>Advance to joint ventures</td>
<td>1,601</td>
<td>850</td>
</tr>
<tr>
<td>Trade receivables (net of impairment provision)</td>
<td>11,335</td>
<td>8,679</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,356</td>
<td>6,191</td>
</tr>
<tr>
<td>Receivable under buy-back arrangement</td>
<td>7,493</td>
<td>7,872</td>
</tr>
<tr>
<td>Total debtors</td>
<td>34,622</td>
<td>37,126</td>
</tr>
</tbody>
</table>

The Group has numerous credit terms for various customers. The terms vary from cash, monthly and greater depending on the service and goods provided and the customer relationship. Collateral is not normally required. All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and, where appropriate, a provision is made. Trade receivables less than three months overdue are not considered impaired. Overdue amounts that have not been provided for relate to customers that have a reliable trading credit history and no recent history of default.

#### Trade receivable analysis

<table>
<thead>
<tr>
<th>Notes to the consolidated financial statements (continued)</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors past due</td>
<td>7,729</td>
<td>5,724</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>(1,007)</td>
<td>(520)</td>
</tr>
<tr>
<td>Debtors past due but not impaired</td>
<td>6,722</td>
<td>5,204</td>
</tr>
<tr>
<td>Debtors current</td>
<td>4,613</td>
<td>3,475</td>
</tr>
<tr>
<td>Total trade debtors</td>
<td>26</td>
<td>11,335</td>
</tr>
</tbody>
</table>

#### Ageing of debtors past due

<table>
<thead>
<tr>
<th>Notes to the consolidated financial statements (continued)</th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-30 days</td>
<td>5,969</td>
<td>4,055</td>
</tr>
<tr>
<td>31-60 days</td>
<td>660</td>
<td>832</td>
</tr>
<tr>
<td>61-90 days</td>
<td>37</td>
<td>828</td>
</tr>
<tr>
<td>91+ days</td>
<td>1,063</td>
<td>9</td>
</tr>
<tr>
<td>Total debtors past due</td>
<td>7,729</td>
<td>5,724</td>
</tr>
</tbody>
</table>

There is no overdue balance in advances to joint ventures, other receivables and receivables under buy-back arrangement as at 30 June 2019 (2018: nil).
29. Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by rolling the draw downs on a short term basis and keeping credit lines available.

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed are the contractual undiscounted cash flows.

### Year ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>UP TO 1 YEAR</th>
<th>BETWEEN 1 - 2 YEARS</th>
<th>BETWEEN 2 - 5 YEARS</th>
<th>GREATER THAN 5 YEARS</th>
<th>TOTAL $000′s</th>
<th>CARRYING VALUE $000′s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>45,669</td>
<td>–</td>
<td>–</td>
<td>45,669</td>
<td>45,669</td>
<td>45,669</td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>6,898</td>
<td>90,422</td>
<td>128,506</td>
<td>225,826</td>
<td>212,056</td>
<td>212,056</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>47</td>
<td>–</td>
<td>–</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Interest rate and foreign currency derivative contracts*</td>
<td>842</td>
<td>668</td>
<td>1,673</td>
<td>3,539</td>
<td>6,259</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>56,197</td>
<td>91,244</td>
<td>135,680</td>
<td>356</td>
<td>283,477</td>
<td>262,954</td>
</tr>
</tbody>
</table>

### Year ended 30 June 2018

<table>
<thead>
<tr>
<th></th>
<th>UP TO 1 YEAR</th>
<th>BETWEEN 1 - 2 YEARS</th>
<th>BETWEEN 2 - 5 YEARS</th>
<th>GREATER THAN 5 YEARS</th>
<th>TOTAL $000′s</th>
<th>CARRYING VALUE $000′s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>50,937</td>
<td>–</td>
<td>–</td>
<td>50,937</td>
<td>50,937</td>
<td></td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>6,732</td>
<td>90,422</td>
<td>128,506</td>
<td>225,826</td>
<td>212,056</td>
<td></td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>226</td>
<td>–</td>
<td>–</td>
<td>273</td>
<td>267</td>
<td></td>
</tr>
<tr>
<td>Interest rate and foreign currency derivative contracts*</td>
<td>928</td>
<td>170</td>
<td>805</td>
<td>1,023</td>
<td>2,916</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>58,099</td>
<td>90,639</td>
<td>129,311</td>
<td>1,023</td>
<td>279,962</td>
<td>266,176</td>
</tr>
</tbody>
</table>

Notes to the consolidated financial statements (continued)

30. Derivative financial instruments

Derivative financial instruments and hedging activities

The Group enters into interest rate swaps and other derivatives to hedge interest rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Movements on the hedging reserve in shareholders’ equity are shown in the notes. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The gain or loss relating to the interest rate swaps are recognised in interest expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within ‘finance expenses’. The gain or loss relating to the ineffective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within ‘sales’.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The cash flow hedges are fully effective therefore the ineffective portion recognised in the income statement that arises from cash flow hedges in 2019 amounts to nil (2018: nil).
Notes to the consolidated financial statements (continued)

30. Derivative financial instruments (continued)

Fair values
The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values:

- Derivative financial instruments are carried at fair value as discussed below.
- Receivables and payables are short term in nature and, therefore, approximate fair value.
- Interest bearing liabilities re-price at least every 90 days and, therefore, approximate fair value.

Financial instruments of the Group that are measured in the statement of financial position at fair value are classified by level under the following fair value measurement hierarchy:

**Level 1** 
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** 
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

**Level 3** 
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest input to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement.

The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

As at 30 June 2019 and 30 June 2018 the Group’s only assets and liabilities measured at fair values are derivative financial instruments which are classified within Level 2 of the fair value hierarchy.

The methods used in determining fair value are as follows:

**Derivative financial instruments**
The fair value of derivative financial instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

The following inputs are used for fair value calculations of derivatives:

<table>
<thead>
<tr>
<th>Input</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate forward price curve</td>
<td>Published market swap rates</td>
</tr>
<tr>
<td>Foreign exchange forward prices</td>
<td>Published spot foreign exchange rates and interest rate differentials</td>
</tr>
<tr>
<td>Discount rate for valuing interest rate derivatives</td>
<td>The discount rates used to value interest rate derivatives are published market interest rates as applicable to the remaining life of the instrument</td>
</tr>
<tr>
<td>Discount rate for valuing forward foreign exchange contracts</td>
<td>The discount rates used to value interest rate derivatives are published market interest rates as applicable to the remaining life of the instrument</td>
</tr>
</tbody>
</table>

There were no changes to these valuation techniques during the period. There were no transfers of derivative financial instruments between levels of the fair value hierarchy during the year.

Notes to the consolidated financial statements (continued)

31. Cash flow hedge reserve

<table>
<thead>
<tr>
<th>2019 $000’s</th>
<th>2018 $000’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of year</td>
<td>(838)</td>
</tr>
<tr>
<td>Fair value (losses)/gains</td>
<td>(5,056)</td>
</tr>
<tr>
<td>Tax on fair value gains/(losses)</td>
<td>1,411</td>
</tr>
<tr>
<td></td>
<td>(4,643)</td>
</tr>
</tbody>
</table>

The cash flow hedge reserve is used to record gains or losses on hedging instruments that are recognised directly in equity. The hedging instruments are used to manage interest rate risk. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.
Notes to the consolidated financial statements (continued)

Section F – Other

In this section

This section includes the remaining information relating to the financial statements which is required to comply with financial reporting standards.

32. Related party transactions

Kay management compensation

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and other short term employee benefits</td>
<td>5,674</td>
<td>5,406</td>
</tr>
<tr>
<td>Share based payments benefits</td>
<td>368</td>
<td>326</td>
</tr>
</tbody>
</table>

Total positions included in the executive team are 14 (2018: 15).

Executive management do not receive any directors’ fees as directors of subsidiary companies.

Directors’ fees

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors' fees</td>
<td>660</td>
<td>599</td>
</tr>
</tbody>
</table>

Shares issued in lieu of cash

At the 2013 Annual Meeting of shareholders, shareholder approval was obtained for the issue of shares in whole or in part payment of directors’ remuneration. Currently, Rob Campbell has elected to receive 50% of his director fee in shares, and Debbie Birch, Cathy Quinn and Graeme Wong have elected to receive 33% of their director fees in shares. Shares issued in lieu of directors’ fees as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued in lieu of cash</td>
<td>32</td>
<td>42</td>
<td>161</td>
</tr>
<tr>
<td>Shares to be issued to directors at 30 June</td>
<td>–</td>
<td>–</td>
<td>45</td>
</tr>
</tbody>
</table>

Kay Howe (Non-executive Director)

Supreme Motorhome Manufacturing Limited (“Supreme”) is owned by entities associated with the Schork family. An entity associated with the Schork family provided warranties to customers of El Monte. Rentals New Zealand, manufactures motorhomes and parts for Rentals Australia, and manufactures specialty vehicles for external customers. Pricing is based on the cost of manufacture plus an agreed margin set out in the Limited Partnership Agreement. During the year, the Group sold certain ex-rental vehicles to AMLP to repurpose and resell. AMLP also subleases part of the Bush Road property described above.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of motorhomes by the Group from the joint venture</td>
<td>49,726</td>
<td>57,106</td>
</tr>
<tr>
<td>Sales of vehicles by the Group to the joint venture</td>
<td>1,158</td>
<td>716</td>
</tr>
<tr>
<td>Net interest in Action Manufacturing LP (note 17)</td>
<td>9,041</td>
<td>7,293</td>
</tr>
</tbody>
</table>

Just go

In the year ended 30 June 2015 the Group acquired a shareholding in Just go (refer to note 18). In the year ended 30 June 2019 the Group purchased motorhomes from Just go with a value of $12,040k (June 2018: $5,743k). Furthermore, at 30 June 2019, the Group had a commitment to purchase motorhomes from Just go with a value of $11,240k (2018: $12,805k).

Schork Family

As part of the consideration for the acquisition of El Monte Rents Inc, the Group issued 3,384,266 ordinary shares to entities associated with the Schork family. An entity associated with the Schork family provided financial support to customers of El Monte Rents Inc – the total amount paid by customers during 2019 was $330k (June 2018: $479k). At the time of the acquisition, the Group entered into a number of property lease agreements with entities associated with the Schork family. The leases are in relation to branches used by El Monte RV. The cost of the leases are set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental and operating lease costs</td>
<td>1,256</td>
<td>2,896</td>
</tr>
</tbody>
</table>

Cathy Quinn

Cathy Quinn was appointed to the Board of Directors in September 2017. Cathy is a partner at MinterEllisonRuddWatts (MinterEllison). MinterEllison has provided legal services to the Group. The amounts paid for the legal services are set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal services</td>
<td>677</td>
<td>460</td>
</tr>
</tbody>
</table>

Togo Group

As part of the investment in Togo Group (refer to note 17), the Group had an obligation to complete certain parts of the Togo Fleet RV industry platform development. The Group also provided finance, payroll and administrative support services to Togo Group. These have been charged to Togo Group on a monthly basis.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Togo Fleet development costs charged to Togo Group</td>
<td>573</td>
<td>632</td>
</tr>
<tr>
<td>Support services provided by the Group</td>
<td>277</td>
<td>130</td>
</tr>
<tr>
<td>Net interest in Togo Group (note 17)</td>
<td>42,766</td>
<td>45,967</td>
</tr>
<tr>
<td>Revenue from Togo Group for providing Mighway Managed option</td>
<td>410</td>
<td>–</td>
</tr>
<tr>
<td>Capex (tablets) paid by Togo Group</td>
<td>34</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes to the consolidated financial statements (continued)
Employee benefits

Share scheme

Share scheme 2009-16

From the 2009 financial year the Group has operated an equity-settled, share-based long term incentive plan for the Chief Executive and other senior executives under which the Group receives services from the executives as consideration for redeemable ordinary shares of the Group. The fair value of the employee services received in exchange for the grant of the redeemable shares is recognised as an expense in the income statement. The total amount expensed is determined by reference to the fair value of the redeemable shares granted.

Amounts accumulated in the employee share scheme reserve are transferred to share capital on redemption of the redeemable shares or to retained earnings where they are forfeited. At the end of each reporting period, the Group revises its estimates of the number of redeemable shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the employee share scheme reserve.

The terms of the scheme are contained in a trust deed, with the following main terms:

1. Redeemable shares are issued and held by THL Corporate Trustee Limited on behalf of the executive.
2. Prior to April 2015 the issue price of the redeemable shares was set based on the volume weighted average price of Tourism Holdings Limited ordinary shares over the 10 days leading up to the issue date. From April 2015 the issue price was calculated over a 20 day period leading up to the issue date, to align with the calculation of shares issued to directors in lieu of directors’ fees.
3. One cent is payable on acceptance of the redeemable shares.
4. The redeemable shares are able to be converted to ordinary shares at the election of the executive after a minimum of two years at a rate of one third of the issue per year. The exercise price payable by the executive is the issue price plus a cost of equity adjustment for two years, less dividends paid for two years.
5. The redeemable shares are entitled to dividends only to the extent that they are paid up.
6. The maximum period that the redeemable shares can be in issue is six years.
7. Valuation of the redeemable shares for accounting purposes is done by KPMG using the Binomial Option Pricing Model. The assessed value is charged to the profit and loss over the life of the scheme/option with a corresponding credit to the employee share scheme reserve.

Movements in redeemable shares under the 2009 scheme have been as follows:

<table>
<thead>
<tr>
<th>Year of issue</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares issued</td>
<td>2,000,000</td>
<td>1,480,000</td>
<td>1,450,000</td>
<td>1,850,000</td>
<td>2,650,000</td>
<td>9,430,000</td>
</tr>
<tr>
<td>Less: Forfeited</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>200,000</td>
<td>200,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>400,000</td>
<td>333,333</td>
<td>733,333</td>
<td>1,066,666</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>250,000</td>
<td>250,000</td>
<td>233,333</td>
<td>733,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>66,667</td>
<td>-</td>
<td>-</td>
<td>316,667</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>250,000</td>
<td>316,667</td>
<td>850,000</td>
<td>686,666</td>
<td>2,183,333</td>
</tr>
</tbody>
</table>

Less: Converted to ordinary shares

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares converted</td>
<td>100,000</td>
<td>116,667</td>
<td>1,200,000</td>
<td>-</td>
<td>1,640,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>333,334</td>
<td>233,334</td>
<td>1,000,000</td>
<td>-</td>
<td>5,391,171</td>
<td></td>
</tr>
<tr>
<td></td>
<td>466,667</td>
<td>1,200,000</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>116,667</td>
<td>116,667</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>466,667</td>
<td>1,200,000</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>116,667</td>
<td>116,667</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>466,667</td>
<td>1,200,000</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
<tr>
<td></td>
<td>116,667</td>
<td>116,667</td>
<td>-</td>
<td>-</td>
<td>2,183,333</td>
<td></td>
</tr>
</tbody>
</table>

Redeemable shares outstanding

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares outstanding</td>
<td>1,085,630</td>
<td>569,866</td>
<td>200,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>250,000</td>
<td>316,667</td>
<td>850,000</td>
<td>686,666</td>
<td>2,183,333</td>
</tr>
</tbody>
</table>

403,332 redeemable shares were converted to ordinary shares in the year to June 2019 which resulted in 403,332 ordinary shares being issued (2018: 1,640,000) at a weighted average price of $2.56 per share (2018: $1.71). 100,000 shares were forfeited as a result of an Executive leaving the business (2018: nil).

* Exercise price is issue price, less 1 cent paid, less dividends paid for two years, plus a cost of equity adjustment for two years.
Notes to the consolidated financial statements (continued)

33. Share-based payments (continued)

Redeemable shares outstanding at year end have the following expiry dates and exercise prices:

<table>
<thead>
<tr>
<th>Expiry date</th>
<th>2019 REDEMINABLE SHARES</th>
<th>2018 REDEMINABLE SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2020</td>
<td>1.17</td>
<td>200,000</td>
</tr>
<tr>
<td>October 2020</td>
<td>1.47</td>
<td>193,200</td>
</tr>
<tr>
<td>March 2021</td>
<td>1.84</td>
<td>376,666</td>
</tr>
<tr>
<td>April 2022</td>
<td>2.79</td>
<td>1,085,630</td>
</tr>
</tbody>
</table>

Redeemable shares outstanding at year end have the following expiry dates and exercise prices:

<table>
<thead>
<tr>
<th>Expiry date</th>
<th>2019 REDEMINABLE SHARES</th>
<th>2018 REDEMINABLE SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2020</td>
<td>1.17</td>
<td>200,000</td>
</tr>
<tr>
<td>October 2020</td>
<td>1.47</td>
<td>193,200</td>
</tr>
<tr>
<td>March 2021</td>
<td>1.84</td>
<td>376,666</td>
</tr>
<tr>
<td>April 2022</td>
<td>2.79</td>
<td>1,085,630</td>
</tr>
</tbody>
</table>

The value of the redeemable shares calculated using the Binomial Option Pricing Model is being amortised over the life of the redeemable share rights. The 2019 expense of $330k (2018: $179k) will accumulate in the employee share scheme reserve.

In arriving at the value of the redeemable share rights under the Binomial Option Pricing Model the following inputs have been used:

- Issue price: $2.57
- Forecast dividend yield over the life of the transfer rights: 6.1%
- Risk free rate of interest over the exercise period of the share transfer rights: 3.40%
- Volatility of Tourism Holdings Limited share price returns mid point: 23.0%
- Cost of capital adjustment p.a.: 12.30%

Note: the exercise prices above are adjusted for any dividends paid to date, but make no assumption about future dividends, which will be deducted from the exercise price.

Notes to the consolidated financial statements (continued)

33. Share-based payments (continued)

Share scheme 2017

In the 2017 financial year the Group introduced an equity-settled, share-based long term incentive plan for the Chief Executive and other senior executives under which the Group receives services from the executives as consideration for Options to purchase ordinary shares of the Group. The fair value of the employee services received in exchange for the grant of the Options is recognised as an expense in the income statement. The total amount expensed is determined by reference to the fair value of the Options granted.

Amounts accumulated in the employee share scheme reserve are transferred to share capital on the exercise of the Options or to retained earnings where they are forfeited. At the end of each reporting period, the Group revises its estimates of the number of Options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the employee share scheme reserve.

The terms of the 2017 scheme are contained in a document entitled ‘The Rules of the Tourism Holdings Long Term Incentive Scheme 2017’.

1. Options to purchase ordinary shares are issued to executives by the Board.
2. The option price is set based on the volume weighted average price of Tourism Holdings Limited ordinary shares over the 20 days leading up to the grant date.
3. The options can be exercised at the election of the employee after a minimum of two years from the grant date. A maximum of one third of the options can be exercised after two years, two thirds after three years and all options can be exercised after five years. After six years, the options lapse and there is no further right to exercise. The exercise price payable by the executive is the option price plus a cost of equity adjustment for two years, less dividends paid for two years.
4. The participants holding options have no interest in the ordinary shares that are the subject of the options, until the options are exercised and ordinary shares issued.
5. Valuation of the options for accounting purposes is done by KPMG using the Binomial Option Pricing Model. The assessed value is charged to the profit and loss over the life of the scheme/option with a corresponding credit to the employee share scheme reserve.

 Movements in options granted under the 2017 scheme are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Options granted</td>
<td>1,220,000</td>
<td>980,000</td>
<td>1,040,000</td>
</tr>
<tr>
<td>Issued price</td>
<td>$4.81</td>
<td>$6.08</td>
<td>$3.84</td>
</tr>
</tbody>
</table>

The exercise price will be calculated as the issue price less dividends paid for two years, plus a cost of equity adjustment for two years.

The value of the share transfer rights is calculated using the Binomial Option Pricing Model and is being amortised over the life of the share transfer rights. The 2019 expense of $238k (2018: $147k) will accumulate in the employee share scheme reserve.

In arriving at the value of the share transfer rights under the Binomial Option Pricing Model the following inputs have been used:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue price</td>
<td>$4.81</td>
<td>$6.08</td>
<td>$3.84</td>
</tr>
<tr>
<td>Forecast dividend yield over the life of the transfer rights</td>
<td>5.91%</td>
<td>3.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Risk free rate of interest over the exercise period of the share transfer rights</td>
<td>2.33%</td>
<td>2.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Volatility of Tourism Holdings Limited share price returns mid point</td>
<td>21.0%</td>
<td>21.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Cost of equity adjustment</td>
<td>11.9%</td>
<td>12.0%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
34. Reconciliation of profit after taxation with cash flows from operating activities

In accordance with NZ IAS 7 the Group classifies cash flows from the sale and purchase of rental assets as operating cash flows. Where the timing of receipts and payments is of a short term nature, the cash flows are presented on a net basis.

NOTES

2019 $000's 2018 $000's

Operating profit after tax 29,753 62,354

Plus/(less) non-cash items:

- Depreciation 12 51,546 46,044
- Amortisation of fixed term intangibles 16 1,097 1,328
- Amortisation of executive share scheme 33 368 326
- Movement in deferred taxation 1,021 4,928
- Increase/(decrease) in provision for doubtful debts 486 155
- Interest 155 (188)
- Gain recognised in relation to the Togo Group transaction 3 - (24,322)
- Share of loss from joint ventures and associates 17, 18 11,048 1,029
- Non-cash director remuneration 171 180

Total non-cash items 65,892 29,480

Plus/(less) items classified as investing activities:

- Net (gain)/loss on sale of property, plant and equipment 3 2 (335)

Total items classified as investing activities 2 (335)

Reclassification of cash flows associated with rental assets:

- Net book value of rental assets sold 95,414 104,065
- Purchase of rental assets (176,075) (178,096)

Total cash flows associated with rental assets (80,661) (74,031)

Trading cash flow 14,986 17,468

Plus/(less) movements in working capital:

- (Decrease)/increase in trade payables excluding rental assets (4,617) 3,351
- Increase/(decrease) in revenue received in advance 1,143 929
- Increase/(decrease) in provision for taxation 757 2,632
- Increase/(decrease) in employee benefits 54 (327)
- (Increase)/decrease in trade and other receivables (5,878) 2,946
- Decrease/(increase) in inventories 3,756 (1,796)

Total movements in working capital (4,785) 7,135

Net cash flows from operating activities 10,201 24,603

Net cash/debt reconciliation

This section sets out an analysis of net debt and the movements in the net debt.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>8,837</td>
<td>13,534</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>8,837</td>
<td>13,534</td>
</tr>
<tr>
<td>Net debt</td>
<td>202,189</td>
<td>(198,789)</td>
</tr>
</tbody>
</table>

Cash and cash equivalents includes cash on hand, cheques, deposits held at call with financial institutions and bank overdrafts. There is no restricted cash as at 30 June 2019 (2018: nil).
Notes to the consolidated financial statements (continued)

35. Deferred income tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current liabilities and when the deferred income tax relate to the same fiscal authority.

The offset amounts are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax (asset)/liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Deferred tax liability to be met after more than 12 months</td>
<td>21,782</td>
<td>15,384</td>
</tr>
<tr>
<td>- Deferred tax liability to be met within 12 months</td>
<td>5,516</td>
<td>10,040</td>
</tr>
<tr>
<td>- Deferred tax asset to be realised after more than 12 months</td>
<td>(3,954)</td>
<td>(1,382)</td>
</tr>
<tr>
<td>- Deferred tax asset to be realised within 12 months</td>
<td>(1,120)</td>
<td>(989)</td>
</tr>
<tr>
<td>Net deferred tax liability</td>
<td>22,224</td>
<td>23,053</td>
</tr>
</tbody>
</table>

The gross movement on the deferred income tax account is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000's</th>
<th>2018 $000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the year</td>
<td>23,053</td>
<td>17,155</td>
</tr>
<tr>
<td>Income statement charge</td>
<td>(2,115)</td>
<td>4,633</td>
</tr>
<tr>
<td>Prior period adjustment(1)</td>
<td>(840)</td>
<td>-</td>
</tr>
<tr>
<td>Cash refund of losses</td>
<td>3,487</td>
<td>-</td>
</tr>
<tr>
<td>Tax charged to equity</td>
<td>(3,361)</td>
<td>1,265</td>
</tr>
<tr>
<td>End of the year</td>
<td>22,224</td>
<td>23,053</td>
</tr>
</tbody>
</table>

Comprised of:

Future tax benefit: (35,034) $000's (14,058)
Deferred tax liability: 57,258 $000's (37,111)
Net deferred tax liability: 22,224 $000's (23,053)

Notes to the consolidated financial statements (continued)

36. Changes in accounting policies and disclosures

Issued standards and amendments effective from 1 July 2018

NZ IFRS 9 ‘Financial Instruments’ and NZ IFRS 15 ‘Revenue from contracts with customers’ are effective and have been adopted by the Group. The impact on the financial statements are disclosed in the relevant notes to the consolidated financial statements.

New standard not yet adopted by the Group

The following accounting standard is not yet effective and has not been early adopted by the Group:

NZ IFRS 16, Leases replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (off balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, ‘Revenue from Contracts with Customers’. The Group intends to adopt NZ IFRS 16 on its effective date.

Upon adoption, NZ IFRS 16 will have a material impact on a number of elements of the Group’s balance sheet and income statement. There will also be an impact to both operating and financing activities within the Group cash flow statement, although there is no impact on the net cash flows of the Group. The Group plans to apply NZ IFRS 16 initially on 1 July 2019, using the modified retrospective approach. Certain practical expedients are expected to be applied. Management has developed a model to calculate the quantitative impact of the current operating leases under NZ IFRS 16 as at 30 June 2019. The model requires management to make some key judgements, including:

- the discount rate derived from the incremental borrowing rate for each relevant overseas territory when the interest rate implicit in the lease was not readily available; and
- lease terms, including any rights of renewal expected to be exercised.

The Group has a number of operating leases, predominantly relating to the leased premises from which it operates (refer to note 14). Based on the information currently available, the Group estimates that it will recognise right-of-use assets within a range of approximately $74-$76 million and lease liabilities within a range of approximately $84-$86 million on 1 July 2019. The difference between the future aggregated minimum lease payment amount under non-cancellable operating leases in note 14 is related to expectation of right of renewals and the incremental borrowing rate used. The cumulative effect of adopting NZ IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. This is a non-cash adjustment and will not impact the Group’s ability to comply with its debt covenants.

Management is in the process of assessing the deferred tax implications on the date of adoption. In addition to the above and subject to the issuance of specific guidance from the accounting standard setters, it is expected that a deferred tax asset of approximately $3 million will be recognised at 30 June 2020. The decrease in opening retained earnings referred to above would consequently reduce to a range of approximately $7-9 million.

The impact on the consolidated income statement for the period ending 30 June 2020 is expected to be:

- Decrease in operating rental expenses of approximately $10-$11 million;
- Increase in depreciation (relating to the right-of-use assets) of approximately $7-$8 million; and
- Increase in finance costs (interest expenses) of approximately $3-$4 million.

The estimated potential financial adjustments above are expected to be different from the final result as new leases are entered into, current lease payments are re-negotiated, expectation of exercising rights of lease renewals change and the incremental borrowing rate used is updated.

In th’ capacity as a lessor, there will be additional disclosure requirements, but the additional disclosures will not have any impact on the reported numbers.

Other interpretations and amendments are unlikely to have a significant impact on the Group’s financial statements and have, therefore, not been analysed in detail.
We have audited the consolidated financial statements which comprise:
• the consolidated statement of financial position as at 30 June 2019;
• the consolidated income statement for the year then ended;
• the consolidated statement of comprehensive income for the year then ended;
• the consolidated statement of changes in equity for the year then ended;
• the consolidated statement of cash flows for the year then ended; and
• the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion
In our opinion, the accompanying consolidated financial statements of Tourism Holdings Limited (the Company or thl),
including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of treasury advisory, remuneration benchmarking, assistance with the compilation of subsidiary financial statements, other assurance services and agreed upon procedures in relation to interim financial statements and agreed upon procedures in relation to the annual meeting and the Waitomo lease compliance. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview
An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $1.95 million, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there are two key audit matters:
• Residual values and depreciation rates for motorhomes
• Investment in Togo Group Joint Venture.

Materiality
The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.
Audit scope
We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our
application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls
including among other matters, consideration of whether there was evidence of bias that represented a risk of material
misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated
financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls,
and the industry in which the Group operates.

We identified four subsidiaries and the Togo joint venture that, due to their financially significant contribution as well as
strategic importance to the Group’s overall results, required a full-scope audit. In addition, we also performed specific audit
procedures on certain balances and transactions of other subsidiaries. Audits of each subsidiary are performed at a materiality
level calculated with reference to a proportion of Group materiality relative to the financial significance of the business
concerned.

Our Group audit scope focused on the major operating locations. In aggregate, the locations selected contributed 98% of the
Group’s revenue and 99% of the Group’s profit before tax.

The audit work on the subsidiaries was undertaken by the Group engagement team and the audit work on the Togo joint
venture was performed by a component auditor from a PwC network firm operating under our instructions. Where the
work was performed by a component auditor, we determined the level of the Group engagement team’s involvement in
the component auditor’s work and any additional procedures to be performed by the Group engagement team in order
to provide us with the audit evidence we needed for our opinion on the financial statements as a whole.

Audit scope

Residual values and depreciation rates for motorhomes

The value of the motorhomes fleet at 30 June 2019 was $359 million (2018: $331 million), having charged $47 million (2018: $41 million)
depreciation for the year.

The gain on sale from motorhomes sold during the year was $16 million (2018: $23 million).

The Group generates both rental income from its motorhomes and revenue from the sale of motorhomes. Accordingly, there are two significant
operating activities associated with its motorhomes and the financial performance of each operating activity is assessed separately.

The depreciation rate applied to the motorhomes directly affects the profit from rental and the subsequent gain on sale. The estimates,
therefore, can have a significant impact on the annual performance results.

Management estimates the depreciation rates for motorhomes based on the expected value decline over their useful life, on a
straight line basis. This requires management to estimate the useful life and the residual value of the vehicle when it is expected to be
taken out of the rental fleet. The residual value is influenced by its condition, the mileage on the motorhome and the consumer
demand within the relevant resale market. Management considers the market conditions and the impact any changes could have on
their estimates as part of their overall fleet management program.

Management completes an annual review of the appropriateness of the depreciation rates and the residual values by:

- comparing the actual depreciation rate to previous years’ depreciation rates, considering residual value estimates over
  the life of the motorhomes and assessing the basis for any changes; and
- comparing profit margins on the vehicle sales for the year to the expected margin based on the estimated residual value
  and to historical margins achieved.

Changes in the expected useful life or residual value will impact the depreciation charge and will have a corresponding impact
on the results of the Group.

We performed the following audit procedures to assess the judgements made by management:

- we obtained an understanding of the relevant business processes;
- we reviewed management’s annual board paper on the motorhome residual values and depreciation rates;
- for a sample of motorhomes sold during the year we compared the sales proceeds to the depreciated value in the fixed asset register to recalculate the gain or loss on sale and assess the accuracy of management’s calculations;
- we recalculated the gain or loss on sale and assessed how many motorhomes were sold at a loss, which could indicate that depreciation rates are potentially too low;
- we compared the profit margins achieved from motorhome sales for the year to historical and forecasted results. Where actual results deviated from forecasted and/or historical results, we understood the underlying reasons and considered the potential impact on current and future depreciation rates. This provided evidence to support the ability of management to reliably forecast expected useful life and residual values of the motorhome fleet;
- we recalculated the depreciation charge for the year; and
- we assessed whether depreciation rates applied were consistent with the accounting policy.

Our audit procedures did not result in any adjustments.

Key audit matters

Residual values and depreciation rates for motorhomes

The value of the motorhomes fleet at 30 June 2019 was $359 million (2018: $331 million), having charged $47 million (2018: $41 million)
depreciation for the year.

The gain on sale from motorhomes sold during the year was $16 million (2018: $23 million).

The Group generates both rental income from its motorhomes and revenue from the sale of motorhomes. Accordingly, there are two significant
operating activities associated with its motorhomes and the financial performance of each operating activity is assessed separately.

The depreciation rate applied to the motorhomes directly affects the profit from rental and the subsequent gain on sale. The estimates,
therefore, can have a significant impact on the annual performance results.

Management estimates the depreciation rates for motorhomes based on the expected value decline over their useful life, on a
straight line basis. This requires management to estimate the useful life and the residual value of the vehicle when it is expected to be
taken out of the rental fleet. The residual value is influenced by its condition, the mileage on the motorhome and the consumer
demand within the relevant resale market. Management considers the market conditions and the impact any changes could have on
their estimates as part of their overall fleet management program.

Management completes an annual review of the appropriateness of the depreciation rates and the residual values by:

- comparing the actual depreciation rate to previous years’ depreciation rates, considering residual value estimates over
  the life of the motorhomes and assessing the basis for any changes; and
- comparing profit margins on the vehicle sales for the year to the expected margin based on the estimated residual value
  and to historical margins achieved.

Changes in the expected useful life or residual value will impact the depreciation charge and will have a corresponding impact
on the results of the Group.

We performed the following audit procedures to assess the judgements made by management:

- we obtained an understanding of the relevant business processes;
- we reviewed management’s annual board paper on the motorhome residual values and depreciation rates;
- for a sample of motorhomes sold during the year we compared the sales proceeds to the depreciated value in the fixed asset register to recalculate the gain or loss on sale and assess the accuracy of management’s calculations;
- we recalculated the gain or loss on sale and assessed how many motorhomes were sold at a loss, which could indicate that depreciation rates are potentially too low;
- we compared the profit margins achieved from motorhome sales for the year to historical and forecasted results. Where actual results deviated from forecasted and/or historical results, we understood the underlying reasons and considered the potential impact on current and future depreciation rates. This provided evidence to support the ability of management to reliably forecast expected useful life and residual values of the motorhome fleet;
- we recalculated the depreciation charge for the year; and
- we assessed whether depreciation rates applied were consistent with the accounting policy.

Our audit procedures did not result in any adjustments.
Togo operates as a digital service provider to travellers and recreational vehicle ("RV") owners and operators mainly in the United States. These services include trip planning and booking, remote system monitoring, roadside assistance, and peer to peer RV campsite rental.

Togo is in its start-up phase with losses being forecasted for the first few years of operations and resulting ongoing funding requirements. The development and roll-out of Togo’s products to date has progressed more slowly than expected, resulting in lower revenue and expenses and an overall smaller loss than forecasted in the current year. The Directors are of the view that the market opportunity remains unchanged and therefore Tthl continues to fund its share of Togo’s operations.

The Directors assessed whether or not there is an impairment in the carrying value of the investment based on the fair value of Togo, as disclosed in note 17.

We considered the valuation of the investment in Togo a key audit matter because of the uncertainty involved in the estimation process and the significant judgements Togo’s management make in determining the future cash flows. Changes in the assumptions applied as part of the estimation process can lead to significant changes in the value in use of the investment.

No impairment was identified in the carrying value of the investment, as detailed in note 17.

The estimated future cash flows used in the model were based on the budget for the next financial year and forecasted cash flows for subsequent periods and involve subjective estimates about future business performance. Key assumptions made included revenue and operating expenses’ growth rates, the discount rate and the terminal growth rate.

Information other than the financial statements and auditor’s report
The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We assessed the reasonableness of projected future cash flows, considered a range of sensitivities and tested the impact of those changes on the valuation; and assessed the adequacy of disclosures in the financial statements against the requirements of the accounting standards.

Our audit procedures did not result in any adjustments.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

We performed the following audit procedures to assess the judgements made by the Directors:

• obtained an understanding of the relevant business processes;
• obtained an understanding of the valuation methodology applied and the key assumptions made by Togo’s management in determining the value in use of the investment in Togo as at 30 June 2019;
• agreed the key inputs in the valuation model to Togo’s board approved budgets and tested the model for mathematical accuracy;
• engaged our valuation expert to assess the discount rate and terminal growth rate;
• assessed the reasonableness of projected future cash flows, considered a range of sensitivities and tested the impact of those changes on the valuation; and
• assessed the adequacy of disclosures in the financial statements against the requirements of the accounting standards.

Our audit procedures did not result in any adjustments.
Corporate governance
For the year ended 30 June 2019

Tourism Holdings Limited (‘thl’) operates under a set of corporate governance principles designed to ensure that thl is effectively managed. The Board is committed to the continued development of thl’s corporate governance practices by reviewing and developing its corporate governance policies and monitor developments to keep abreast of corporate governance best practice.

thl’s corporate governance framework includes:
- the constitution of thl, which describes the ‘rules’ under which the company operates, including issue and other share transactions, distributions, shareholder meetings, director appointment, remuneration and powers, and the conduct of Board and shareholder meetings;
- the Board Charter and subcommittee charters, which set out the roles and responsibilities of the Directors;
- the Code of Ethics, which outlines the standards of ethical behaviour expected of Directors, staff and contractors;
- the Market Disclosure Policy, which outlines the policy around disclosure of company information, including the commitment to compliance with continuous disclosure requirements;
- the Securities Trading Policy, which outlines policy and guidelines around trading in thl securities by Directors, officers and staff;
- the Diversity Policy, which outlines the commitment to diversity in Board, Executive and Staff appointments;
- the Delegated Authority Policy, which outlines the delegation of authority by the Board to management, and the authorisation levels at which Board approval is required;
- thl’s governance practices have been reviewed against the recommendations of the NZX Corporate Governance Code 2019 (‘Code’). The Board considers that thl’s governance framework and practices for the year ended 30 June 2019 are in compliance with the recommendations of the Code, except as stated within this report. The information in this Governance Report is current as at 30 June 2019 and has been approved by the thl Board.

thl’s corporate governance policies and charts are available on its website at www.thlonline.com.

Principle 1 – Ethical behaviour

“Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.”

thl is committed to being a good corporate citizen. The Company expects Directors, employees and contractors to practise high ethical standards in the performance of their duties, to comply with all applicable laws and regulations, and to operate with all regulatory bodies and government agencies, and use Company assets and resources only for the legitimate and ethical achievement of its objectives.

thl has adopted a Code of Ethics to ensure it maintains such high ethical standards and reinforces thl’s commitment to the community. The Code of Ethics addresses the areas of ethical business practices, insider trading, conflicts of interest and use of Company property, amongst other matters. The Code of Ethics was most recently updated on 31 May 2019 and is available at www.thlonline.com.

Securities Trading Policy
thl has in place a formal Securities Trading Policy and guidelines which apply to all Directors, officers and employees of thl and its subsidiaries who intend to trade in thl listed securities.

All individuals defined as “restricted persons” under that policy must notify thl of their intention to trade and obtain approval from the Board before trading in thl’s shares. No trading in shares is permitted in ‘blackout periods’ from 1 June each year until 48 hours after the release of the full year results and from 1 December each year until 48 hours after the release of the half year results, except in exceptional circumstances.

Corporate governance (continued)
For the year ended 30 June 2019

Principle 1 – Ethical behaviour (continued)

Trading is permitted outside the blackout periods, provided the restricted person confirms that they do not hold any material information and that they are not aware of any reason that would prohibit them from trading. Any trading must be completed within 10 trading days of approval being given. Restricted persons are defined in the policy as:
- all Directors;
- the Chief Executive Officer (CEO);
- all members of the senior management team and their direct reports;
- the administrative staff of the senior management team;
- all employees in the finance department;
- trusts and companies controlled by such persons;
- anyone notified by the CFO from time to time; and
- anyone participating in the Long Term Incentive Scheme.

The Securities Trading Policy was most recently updated on 31 May 2019 and is available at www.thlonline.com.

Principle 2 – Board composition and performance

“To ensure an effective Board, there should be a balance of independents, skills, knowledge, experience and perspectives.”

Board skills and expertise
thl’s Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the company through efficient and effective governance and leadership. The current Directors have a varied and balanced mix of skills, including extensive operational experience, knowledge of the tourism industry, as well as extensive experience in capital markets, growth and global transactions.

Below is a summary of the key skills and expertise held by the Board, which are considered most relevant to effectively fulfilling the Board’s current objectives:
- Corporate governance experience, including publicly listed company experience;
- Global business experience in multi-site operations;
- Tourism industry experience and a deep understanding of the operational aspects of the company;
- Experience in development and execution of growth strategies;
- Experience with digital innovation;
- Sustained positive people leadership;
- Community and Iwi engagement;
- Focus on deployment and management of capital for a strong return on funds employed;
- Capital markets and M&A transaction experience;
- Legal and regulatory expertise;
- Financial governance and audit oversight;
- Health and safety governance and management experience;
- RV rental and sales experience and expertise;
- Global tourism trade sales expertise;
Corporate governance (continued)
For the year ended 30 June 2019

Principle 2 – Board composition and performance (continued)

- Treasury and funding expertise;
- Economics - global and local New Zealand expertise;
- International business leadership and CEO experience; and
- Sustainability.

Individual Director profiles are set out on page 142.

Roles and responsibilities of the Board

The Board is committed to managing thl in an ethical and professional manner, and in the best interests of the company and its shareholders. Specific responsibilities of the Board, as set out in the Board Charter, include the following:

- Oversight of thl, including its control and accountability procedures and systems;
- Appointing, performance and removal of the Chief Executive Officer;
- Confirmation of the appointment and removal of the senior executive group (being the direct reports to the Chief Executive Officer);
- Setting the remuneration of the Chief Executive Officer and Chief Financial Officer, approval of the remuneration of the senior executive group, and the adoption of thl’s remuneration policy;
- Overseeing the development, adoption and communication of the corporate strategy and objectives and oversight of the adequacy of thl’s resources required to achieve the strategic objectives;
- Approval of and monitoring of actual results against the annual business plan and budget (including the capital expenditure plan);
- Review and ratification of thl’s risk management framework, internal compliance and control, codes of conduct, and legal compliance;
- Approval and monitoring of the progress of capital expenditures, capital management initiatives, and acquisitions and divestments;
- Overseeing accounting and reporting systems and thl’s compliance with its continuous disclosure obligations;
- Approval of the annual and half-year financial statements;
- Setting measurable objectives for achieving diversity with the organisation; and
- Adopting and reviewing thl’s risk management framework.

Board performance evaluation and training

On an annual basis the Chairman conducts a review of Board performance. A review using an independent external facilitator is conducted bi-annually. Board committees review performance against their Charters on an annual basis. The Remuneration & Nomination Committee is responsible for ensuring Directors remain up to date with relevant training.

Director appointment

The policy for appointment and retirement of Directors is contained within thl’s constitution and Board Charter. In accordance with the NZX Listing Rules, directors must not hold office (without re-election) past the third Annual Meeting following their appointment or 3 years, whichever is longer.

Kay Howe shall retire by rotation at the 2019 Annual Meeting and, being eligible, will offer herself for re-election. Additionally, having been appointed by the Board since the 2018 Annual Meeting, each of Rob Hamilton and Guorong Qian shall retire at the 2019 Annual Meeting and, being eligible, will offer themselves for re-election. Graeme Wong will retire at the Annual Meeting in October 2019.

Director independence

The criteria to determine whether directors are independent is set out in the Board Charter. All the Directors holding office on 30 June 2019, with the exception of Kay Howe, are considered to be independent. Directors are required to inform the Board of any relevant information that may impact independence. The Remuneration and Nomination Committee Charter reviews the independence of directors on behalf of the Board.

Corporate governance (continued)
For the year ended 30 June 2019

Principle 2 – Board composition and performance (continued)

Board Diversity Policy

The thl Diversity Policy endorses and supports diversity in Board, Executive and staff appointments, encompassing differences including but not limited to gender, ethnicity, race, marital status, sexual orientation, age, employment status, religious belief, ethical belief or political opinion. When making appointments, the Board and management is committed to considering diversity as well as the mix of skills and experience needed to expand the perspective and capability of the Board and the management team as a whole.

The thl Diversity Policy was most recently updated on 31 May 2019 and is available at www.thlonline.com. It requires the Board to consider the diversity position of thl annually and whether to set any measurable objectives, which may be numerical and non-numerical.

The Board has not yet set measurable objectives in respect of diversity, but intends to set these objectives in 2019 and to report on thl’s progress against these objectives in future.

The Board considers that it currently has the appropriate mix of skills, experience and diversity to fulfill its responsibilities under the NZX Listing Rules and the thl Diversity Policy.

Principle 3 – Board committees

“There should be committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.”

There are five standing committees described below, each of which operates under a written charter. The performance of the standing committees is reviewed annually against the charters.

Each Committee is authorised to deal with matters as set out in its charter or falling within its mandate. Where the Board has delegated decision-making authority to a Committee, that Committee is entitled to make decisions on such matters, otherwise the Committee is to submit recommendations to the Board for consideration. From time to time, the Board delegates specific matters to the appropriate Committee in order to ensure that a detailed review and analysis is undertaken. The Committee then reports back to the Board regarding their findings and recommendations.

The Audit Committee

The Audit Committee is comprised solely of non-executive directors of the Board, a majority of whom must be independent directors.

The Committee meets a minimum of three times each year. The Audit Committee has oversight of, and assists the Board to fulfill its responsibilities in the areas of financial reporting, audit functions, and risk management and control.

The Audit Committee oversees thl’s internal audit work programme based on thl’s risk management framework. An internal audit work plan is developed each year, with internal audit assignments completed by EY, supplemented with review work completed by the internal finance function. The business has a separate health and safety function, with regular reporting to Board and management.

The current composition of the Audit Committee is Graeme Wong (Chairman), Debbie Birch, Rob Campbell, Cathy Quinn, Gráinne Troute, and Rob Hamilton.

Also in attendance by invitation are Kay Howe, Grant Webster (Chief Executive Officer) and Jennifer Bunbury (Chief Financial Officer).

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is comprised of at least three non-executive directors of the Board, a majority of whom must be independent directors.

The Committee meets a minimum of two times each year. The Remuneration & Nomination Committee supports the Board on matters relating to human resources and remuneration. It assesses the role and responsibilities, composition, training and membership requirements and remuneration for the Board, including recommendations for the appointment and removal of directors.

The current composition of the Remuneration & Nomination Committee is Gráinne Troute (Chair), Rob Campbell, Kay Howe and Graeme Wong. Also in attendance by invitation are Debbie Birch, Cathy Quinn, Rob Hamilton and Grant Webster (Chief Executive Officer).
Corporate governance (continued)
For the year ended 30 June 2019

Market Disclosure Committee
The Market Disclosure Committee is comprised of the Board Chairman, the Chair of the Audit Committee and Cathy Quinn. Also in attendance are Grant Webster (Chief Executive Officer) and Jennifer Burbury (Chief Financial Officer). The Committee monitors compliance with the Group’s Market Disclosure Policy which covers compliance with NZX Listing Rules, the Companies Act 1993, the Financial Markets Conduct Act 2013 and other guidelines issued by the Financial Markets Authority and the NZX.

The Committee meets if required outside of normal Board meetings to approve market disclosures.

Marketing & Customer Experience Committee
The Marketing & Customer Experience Committee is comprised of at least two non-executive directors of the Board. The current composition of the Marketing & Customer Experience Committee is Kay Howe (Chair), Gráinne Troute and Rob Campbell. The Committee supports the Board and manages on strategy across brand, marketing and customer experience. The Committee meets as required.

Sustainability & Risk Committee
The Sustainability & Risk Committee is comprised of at least two non-executive directors of the Board. The current composition of the Sustainability & Risk Committee is Cathy Quinn (Chair), Rob Campbell, Gráinne Troute and Debbie Birch. The Committee supports the Board and manages on sustainability policies and strategic risk management. The Committee meets as required.

Takeover protocols

TN has a written protocol that describes the process to be followed in the event of a takeover offer. The protocol includes the appointment of a subcommittee of independent directors.

Principle 4 – Reporting and disclosure

“The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

The Board is committed to ensuring that shareholders and the market are provided with complete and timely information about the activities of the business to allow proper accountability between TN shareholders, employees and other stakeholders. The Board has overall responsibility for ensuring the integrity of TN's reporting and disclosure.

Continuous disclosure

TN's obligations under the NZX Listing Rules require it to advise the market about any material events promptly and without delay once the Company becomes aware of such information. The Board has in place a Market Disclosure Policy in order to ensure that the Company is able to comply with its continuous disclosure obligations.

The Market Disclosure Policy contains a procedure for the escalation of potential material information to the Market Disclosure Committee, in order to allow the Committee to determine whether the information is material and whether an announcement is required. The Market Disclosure Policy is provided to all TN staff and is also available on www.thlonline.com. Additionally, TN provides training regarding its continuous disclosure obligations to all staff and monitors compliance on an ongoing basis.

Financial reporting

The Audit Committee is responsible to the TN Board in relation to financial reporting. It reviews the interim and annual financial statements and reports to the Board regarding compliance with relevant laws and recognised accounting policies. It is also responsible for ensuring that TN retains accurate financial and accounting records, and that all financial reporting is done in an accurate and timely manner.

Non-financial reporting

TN has adopted the internationally recognised Integrated Reporting guidelines in order to ensure its disclosure of non-financial reporting is balanced, transparent, connected to the financial, social and environmental performance, and easily comparable to other companies.

Corporate governance (continued)
For the year ended 30 June 2019

Principle 5 – Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

TN is committed to a fair approach to remuneration which ensures alignment between remuneration levels and business needs. A clear set of boundaries and process to guide TN’s philosophy for remuneration has been set by the Remuneration & Nomination Committee in the TN Remuneration Policy.

The TN Remuneration Policy was most recently reviewed by the Remuneration & Nomination Committee on 31 May 2019 and is available on www.thlonline.com.

Director remuneration

The fees payable to Directors is set by the Board, usually with the advice of independent consultants, in line with the TN Remuneration Policy. Director remuneration is to be appropriate to the market and reflect the time commitment and responsibilities of the role. As TN does not have any Executive Directors, its Director remuneration policy is applicable only to Non-Executive Directors.

The total fee paid approved by the shareholders for Director remuneration at the 2018 Annual Meeting is $750,000. The annual fees currently paid to Directors (from 1 November 2018 onwards) is $75,000 for the Chairperson, $60,000 for each Director, plus $16,000 for the Chairperson of the Audit Committee and $10,000 for the Chairperson of each other Committee. Total directors’ remuneration received or due and receivable during the year ending 30 June 2019 is set out in the director remuneration note below.

TN also has in place a fixed share plan under which Directors may elect to receive ordinary shares in TN in lieu of their director fees (either in whole or in part). This share plan was previously approved by TN’s shareholders.

CEO and Executive remuneration

Decisions concerning the remuneration of the CEO require approval from the Board, unless specifically delegated to the Remuneration & Nomination Committee. Decisions concerning the remuneration of any other C-level positions, General Managers or similar require approval from the Chair of the Remuneration & Nomination Committee.

TN is committed to ensuring that its Executives are fairly and equitably remunerated, and appropriately rewarded for excellent performance and achievement. In addition, TN uses a remuneration structure to ensure that the interests of the CEO and Executive team are aligned with the interests of shareholders.

The CEO and Executive remuneration generally consists of a fixed base salary and allowances, annual performance-based incentives and long-term equity-based incentives. The fixed base salary of the CEO and Executive team is reviewed once every two years and benchmarked against the median of the market.

Annual performance-based incentives are linked to financial and individual targets. For the year ending 30 June 2019, the CEO and CFO annual incentive is based 80% on Company financial performance (Net profit after tax, and Return on funds employed), and 20% on individual performance against specific targets. The annual incentives of other Executives are based 40% on Company financial performance and 40% on other financial targets, and 20% on individual performance against specific targets. Other senior staff have annual incentives based 60% on financial performance and 40% on individual performance against specific targets.

The TN long term incentive (LTI) scheme is designed to align the interests of the Executives with those of the shareholders. Executives are rewarded for long-term increases in shareholder value. Executives are invited to participate in the long term incentive plan by the Board on an annual basis, and participating Executives are awarded share options at the discretion of the Board. The awarding of options is based on a percentage of fixed remuneration, based on a valuation of the options carried out each year by KPMG. Details of the schemes and the status of options issued under the schemes is included in note 33 to the Financial Statements.

Further detail regarding CEO remuneration for the year ended 30 June 2019 is set out in the CEO remuneration note below.

Staff remuneration

Decisions concerning remuneration of other TN staff require approval on a “one-up” basis. This means that no person may make decisions on the remuneration of any person reporting to them without the approval of the person to whom they report.

The number of TN staff which received remuneration exceeding $100,000 in the year ending 30 June 2019 is set out in the employee remuneration section.
Corporate governance (continued)
For the year ended 30 June 2019

Principle 6 – Risk management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

The Board maintains a framework for the identification, assessment, monitoring and management of material risks to the issuer’s business. The Board has ultimate responsibility for reviewing the issuer’s risk management framework, however the ongoing oversight is delegated to the Sustainability & Risk Committee in respect of strategic risk management, and to the Audit Committee in respect of financial risk management. The two Committees report to the Board and to each other in respect of potential issues or risks that require further consideration and response.

Strategic risk management

In the year ending 30 June 2019, the Board approved the formation of the Sustainability & Risk Committee. The objective of the Committee is to consider, assess and respond to long-term strategic risks to the issuer’s business, and to ensure that the issuer maintains sustainable business practices. The Board considers that the sustainable business practices are fundamental to ensuring that the issuer can continue to deliver value to its shareholders over the long-term.

Financial risk management

The Audit Committee is responsible for ensuring that the issuer’s risk management system, business policies and practices and internal control framework.

The Committee is also responsible for ensuring that the issuer maintains up to date risk registers, business continuity and disaster recovery plans, and insurance coverage which ensures that earnings are well protected from potential adverse circumstances.

The Management maintains the material risk register and reports to the Board every second month on such risks. Management monitors risks on an ongoing basis to identify any new risks as well as any potential changes to the threat posed to the issuer’s business from previously identified risks.

Further information regarding the material risks faced by the issuer’s business and how these are being managed is set out in the notes of the financial statements.

Health and safety

The Sustainability & Risk Committee is responsible for monitoring matters relating to occupational health and safety, and physical and mental health of the issuer’s staff, and report to the Board on such matters.

The Committee works with management to identify and maintain a register of workplace hazards, and to ensure that the issuer maintains health and safety policies and procedures.

The Management report to the Board on any health and safety incidents, including implementation of responses to prevent further incidents, on a monthly basis.

Corporate governance (continued)
For the year ended 30 June 2019

Principle 7 – Auditors

“The Board should ensure the quality and independence of the external audit process.”

The Audit Committee is responsible for recommending the appointment and removal of external auditors, ensuring their independence and regularly monitoring and reviewing both internal and external audit practices. The Committee closely monitors the issuer’s relationship with the external auditor, including:

- Ensuring the rotation of the external auditor or lead partner and peer review partner at least every five years;
- Obtaining confirmation of the auditor’s independence in writing; and
- Monitoring and approving any other services provided by the external auditor to the issuer other than in its audit role, and monitoring total non-audit fees.

The Audit Committee Charter sets out the types of services which the external auditor is prohibited from providing to the issuer in order to ensure that their ability to provide audit services is not impaired and that they remain independent.

The issuer’s current external auditor is PwC New Zealand. PwC was re-appointed by shareholders at the 2018 Annual Meeting. In accordance with the Board Charter, PwC New Zealand will attend the 2019 Annual Meeting and be available to answer questions about the conduct of its audit and the preparation and content of its audit report.

The issuer has an internal audit function which is based on an annual plan prepared by management, reflecting the issuer’s risk management framework. The Audit Committee receives and reviews reports from the internal audit team, and is responsible for ensuring that recommendations, actions and timelines for internal audits are agreed and undertaken with management.

Principle 8 – Shareholder rights and relations

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

Access to information

The Board aims to ensure that shareholders are able to access up-to-date information regarding the issuer’s business and ongoing developments in an easy-to-access format. The issuer makes available on its website a description of each of its businesses, historical interim and annual reports and other shareholder communications, and key corporate governance documents as required by the Code.

A brief biography of each of the issuer’s Directors and key members of the Executive team is available on the website.

Annual Meetings

The Board encourages all shareholders and stakeholders to attend its Annual Meetings. It aims for all Annual Meetings to be attended by all Directors as well as the CEO and the CFO, and to ensure that they are available for questions from shareholders.

For shareholders that are unable to attend physically, a live-stream of the Annual Meeting is made available which includes the ability for shareholders to submit questions online. Minutes of each Annual Meeting are subsequently made available on the website.

CITIC Placement

On 24 June 2019, the issuer announced that it would be raising approximately $80 million via a $30 million placement to HB Holdings (a wholly-owned subsidiary of CITIC Capital International Tourism Fund) (the Placement) and a follow-on $50 million fully underwritten pro rata 1 for 9 rights offer, with a shortfall book build (the Rights Offer).

The Placement was non-compliant with Recommendation B.4 of the Code, which recommends that if issuers are seeking additional equity capital, they should offer further equity securities to existing shareholders on a pro rata basis, before further equity securities are offered to other investors.
Corporate governance (continued)
For the year ended 30 June 2019

Principle 8 – Shareholder rights and relations (continued)

The thl Board is of the view that the Placement was an appropriate method to raise additional equity capital in these circumstances, on the basis that:

- there was a follow-on Rights Offer which allowed eligible shareholders to purchase additional thl ordinary shares at a price of $3.40 per new share;
- eligible existing shareholders were provided with an opportunity to participate in the shortfall book build alongside institutional investors, therefore allowing them to mitigate the dilutive effect of the Placement;
- the issue price of $4.02 per share under Placement represented a 15.5% premium to the issue price of $3.40 per share under the Rights Offer;
- the majority of the $80 million of new equity capital raised was via the Rights Offer.

Board composition

thl's constitution allows up to ten directors. As at 30 June 2019, the Board of Directors comprised seven directors, all of whom are non-executive directors.

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>ROLES</th>
<th>DIRECTOR SINCE</th>
<th>INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rob Campbell</td>
<td>Chairman, Chair Market Disclosure Committee, Member Audit Committee, Member Remuneration &amp; Nomination Committee, Member Marketing &amp; Customer Experience Committee, Member Sustainability &amp; Risk Committee</td>
<td>May 2013</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Debbie Birch</td>
<td>Member Audit Committee, Member Sustainability &amp; Risk Committee</td>
<td>September 2016</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Kay Howe</td>
<td>Chair Marketing &amp; Customer Experience Committee, Member Remuneration &amp; Nomination Committee</td>
<td>October 2012</td>
<td>Non-independent Director</td>
</tr>
<tr>
<td>Cathy Quinn</td>
<td>Chair Sustainability &amp; Risk Committee, Member Audit Committee, Member Marketing &amp; Customer Experience Committee</td>
<td>September 2017</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Gráinne Troute</td>
<td>Chair Remuneration &amp; Nomination Committee, Member Audit Committee, Member Marketing &amp; Customer Experience Committee, Member Sustainability &amp; Risk Committee</td>
<td>February 2015</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Graeme Wong</td>
<td>Chair Audit Committee, Member Market Disclosure Committee, Member Remuneration &amp; Customer Experience Committee</td>
<td>November 2007</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Rob Hamilton</td>
<td>Member Audit Committee</td>
<td>February 2019</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

Table of board attendances

<table>
<thead>
<tr>
<th>(FY 2019 JULY 18 – JUNE 19)</th>
<th>BOARD MEETINGS</th>
<th>AUDIT COMMITTEE MEETINGS</th>
<th>REMUNERATION &amp; NOMINATION COMMITTEE MEETINGS</th>
<th>DISCLOSURE COMMITTEE MEETINGS</th>
<th>MARKETING &amp; CUSTOMER EXPERIENCE COMMITTEE MEETINGS</th>
<th>SUSTAINABILITY &amp; RISK COMMITTEE MEETINGS</th>
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</thead>
<tbody>
<tr>
<td>Total number of meetings held</td>
<td>12</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Rob Campbell</td>
<td>12</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>2</td>
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</tr>
<tr>
<td>Debbie Birch</td>
<td>12</td>
<td>3</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kay Howe</td>
<td>12</td>
<td>2</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Cathy Quinn</td>
<td>12</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gráinne Troute</td>
<td>10</td>
<td>3</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Graeme Wong</td>
<td>12</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rob Hamilton***</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Includes Audit & Risk Committee meetings held during FY2019.
** The Sustainability & Risk Committee was formed on 31 May 2019.
*** Rob Hamilton joined the Board on 1 February 2019.

Director and Officer gender composition

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>ROLE</th>
<th>DIRECTOR SINCE</th>
<th>INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Member Audit Committee</td>
<td>February 2019</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

Directors’ remuneration

Directors’ remuneration received, or due and receivable during the year ending 30 June 2019 is as follows:

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>DIRECTOR’S FEES</th>
<th>OTHER REMUNERATION</th>
<th>DIRECTOR’S FEES</th>
<th>OTHER REMUNERATION</th>
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</thead>
<tbody>
<tr>
<td>R Campbell</td>
<td>166,667</td>
<td>-</td>
<td>143,333</td>
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</tr>
<tr>
<td>D Birch</td>
<td>83,333</td>
<td>-</td>
<td>71,667</td>
<td>-</td>
</tr>
<tr>
<td>C Dormocq1</td>
<td>-</td>
<td>-</td>
<td>24,167</td>
<td>-</td>
</tr>
<tr>
<td>K Howe</td>
<td>92,500</td>
<td>-</td>
<td>76,042</td>
<td>-</td>
</tr>
<tr>
<td>R Hamilton2</td>
<td>36,458</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C Quinn3</td>
<td>84,167</td>
<td>-</td>
<td>60,833</td>
<td>-</td>
</tr>
<tr>
<td>G Troute</td>
<td>92,500</td>
<td>-</td>
<td>79,167</td>
<td>-</td>
</tr>
<tr>
<td>G Wong</td>
<td>96,667</td>
<td>-</td>
<td>81,667</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>652,292</td>
<td>-</td>
<td>536,876</td>
<td>-</td>
</tr>
</tbody>
</table>

1 C Dormocq resigned as a Director with effect from 1 November 2017.
2 R Hamilton was appointed as a Director with effect from 1 February 2019.
3 C Quinn was appointed as a Director with effect from 7 September 2017.

Each of Rob Campbell, Debbie Birch, Cathy Quinn & Graeme Wong were issued, or are to be issued, ordinary shares in thl as part of their director remuneration. Refer to the section titled “Directors’ share dealings”.

Director and Officer gender composition

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>ROLE</th>
<th>DIRECTOR SINCE</th>
<th>INDEPENDENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rob Campbell</td>
<td>Chairman, Chair Market Disclosure Committee, Member Audit Committee, Member Remuneration &amp; Nomination Committee, Member Marketing &amp; Customer Experience Committee, Member Sustainability &amp; Risk Committee</td>
<td>May 2013</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Debbie Birch</td>
<td>Member Audit Committee, Member Sustainability &amp; Risk Committee</td>
<td>September 2016</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Kay Howe</td>
<td>Chair Marketing &amp; Customer Experience Committee, Member Remuneration &amp; Nomination Committee</td>
<td>October 2012</td>
<td>Non-independent Director</td>
</tr>
<tr>
<td>Cathy Quinn</td>
<td>Chair Sustainability &amp; Risk Committee, Member Audit Committee, Member Marketing &amp; Customer Experience Committee</td>
<td>September 2017</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Gráinne Troute</td>
<td>Chair Remuneration &amp; Nomination Committee, Member Audit Committee, Member Marketing &amp; Customer Experience Committee, Member Sustainability &amp; Risk Committee</td>
<td>February 2015</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Graeme Wong</td>
<td>Chair Audit Committee, Member Market Disclosure Committee, Member Remuneration &amp; Customer Experience Committee</td>
<td>November 2007</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Rob Hamilton</td>
<td>Member Audit Committee</td>
<td>February 2019</td>
<td>Independent Director</td>
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Director and Officer gender composition

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<td>September 2016</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Kay Howe</td>
<td>Chair Marketing &amp; Customer Experience Committee, Member Remuneration &amp; Nomination Committee</td>
<td>October 2012</td>
<td>Non-independent Director</td>
</tr>
<tr>
<td>Cathy Quinn</td>
<td>Chair Sustainability &amp; Risk Committee, Member Audit Committee, Member Marketing &amp; Customer Experience Committee</td>
<td>September 2017</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Gráinne Troute</td>
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<td>February 2015</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Graeme Wong</td>
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</tr>
<tr>
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<td>February 2019</td>
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Director and Officer gender composition

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<tr>
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</tr>
<tr>
<td>Rob Hamilton</td>
<td>Member Audit Committee</td>
<td>February 2019</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>
Corporate governance (continued)

For the year ended 30 June 2019

CEO remuneration

Fixed remuneration

In 2019 the CEO, Grant Webster, received fixed remuneration including allowances of $578,000 (2018: $578,000).

Short term incentive

The annual short term incentive of the CEO is set at 40% of fixed remuneration and allowances if all financial performance targets are achieved. In addition, a further incentive of up to 28% (2018: 28%) of fixed remuneration and allowances is payable for the over-achievement of financial and broader business performance targets. In relation to the 2019 financial year, $39,000 (2018: $39,000) is to be paid for CEO annual performance incentive. The performance incentive will be paid in the 2020 financial year.

Long term incentive

In 2019 the CEO was granted 425,000 share options under the 2017 Long Term Incentive Scheme valued at $0.398, giving a total value of $169,150. In 2018 the CEO was granted 240,000 share options under the 2017 Long Term Incentive Scheme valued at $0.624, giving a total value of $149,760.

Under both the 2017 and 2009 long term incentive schemes, the share rights vest from the second anniversary of the issue, with one third vesting after the second year, one third after the third year, and the final third after the fourth year. In 2019, 233,333 redeemable ordinary shares vested under the 2009 long term incentive plan, and 80,000 options vested under the 2017 long term incentive plan.

Superannuation

The CEO is a participant in KiwiSaver, and is eligible to receive an employer contribution of 3% of gross taxable earnings. In 2019 this contribution was $33,573 (2018: $30,099).

Total remuneration

The total remuneration of the CEO was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>$578,000</td>
<td>$578,000</td>
</tr>
<tr>
<td>Short term incentive</td>
<td>$95,000</td>
<td>$39,000</td>
</tr>
<tr>
<td>Long term incentive</td>
<td>$169,150</td>
<td>$149,760</td>
</tr>
<tr>
<td>Total</td>
<td>$842,150</td>
<td>$1,120,760</td>
</tr>
</tbody>
</table>

Employee remuneration

The number of employees in the Group or former employees (not including Directors) whose remuneration that was paid in the 2019 financial year (including severance pay) was within the specified bands is as follows:

<table>
<thead>
<tr>
<th>REMUNERATION IN $000's</th>
<th>NUMBER OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>100 – 109</td>
<td>15</td>
</tr>
<tr>
<td>110 – 119</td>
<td>6</td>
</tr>
<tr>
<td>120 – 129</td>
<td>11</td>
</tr>
<tr>
<td>130 – 139</td>
<td>17</td>
</tr>
<tr>
<td>140 – 149</td>
<td>3</td>
</tr>
<tr>
<td>150 – 159</td>
<td>1</td>
</tr>
<tr>
<td>160 – 169</td>
<td>7</td>
</tr>
<tr>
<td>170 – 179</td>
<td>1</td>
</tr>
<tr>
<td>180 – 199</td>
<td>1</td>
</tr>
<tr>
<td>200 – 209</td>
<td>4</td>
</tr>
<tr>
<td>210 – 219</td>
<td>1</td>
</tr>
<tr>
<td>220 – 229</td>
<td>1</td>
</tr>
<tr>
<td>230 – 239</td>
<td>3</td>
</tr>
<tr>
<td>240 – 249</td>
<td>1</td>
</tr>
<tr>
<td>250 – 259</td>
<td>3</td>
</tr>
<tr>
<td>260 – 269</td>
<td>3</td>
</tr>
<tr>
<td>270 – 279</td>
<td>1</td>
</tr>
<tr>
<td>280 – 289</td>
<td>1</td>
</tr>
<tr>
<td>300 – 309</td>
<td>1</td>
</tr>
<tr>
<td>330 – 339</td>
<td>1</td>
</tr>
<tr>
<td>390 – 399</td>
<td>1</td>
</tr>
<tr>
<td>460 – 469</td>
<td>1</td>
</tr>
<tr>
<td>500 – 509</td>
<td>1</td>
</tr>
<tr>
<td>540 – 549</td>
<td>1</td>
</tr>
<tr>
<td>640 – 649</td>
<td>1</td>
</tr>
<tr>
<td>1,220 – 1,229</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>88</td>
</tr>
</tbody>
</table>

Substantial product holders

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act 2013 and records Substantial Product Holder notices received in the period up to 30 June 2019.

<table>
<thead>
<tr>
<th>NUMBER OF ORDINARY SHARES IN WHICH A RELEVANT INTEREST WAS HELD</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB Holdings Limited</td>
<td>22.310496</td>
</tr>
</tbody>
</table>
Corporate governance (continued)
For the year ended 30 June 2019

Spread of shareholders

For the year ended 30 June 2019

Corporate governance (continued)

thl Integrated Annual Report 2019

The above shows the spread of shareholders as at 30 June 2019. The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

Twenty largest shareholders

For the year ended 30 June 2019

Corporate governance (continued)

Details of the Directors’ acquisitions and disposals of relevant interests in the ordinary equity securities issued by the Company are as follows:

Tutanekai Investments Limited (an entity beneficially associated with Rob Campbell), was issued with 6,890 ordinary shares in the Company on 1 October 2018 at $5.45 per share as part of Rob Campbell’s director remuneration for the six months ended 30 September 2018, and 8,953 ordinary shares in the Company on 1 April 2019 at $4.77 per share as part of his director remuneration for the six months ended 31 March 2019. In addition, Tutanekai Investments Limited was issued with 16,827 ordinary shares in the Company on 11 October 2018 at $5.283 per share and 1,978 ordinary shares in the Company on 1 April 2019 at $4.77 per share as part of his director remuneration for the six months ended 31 March 2019.

Graine Troute was issued with 1,735 ordinary shares in the Company on 16 April 2019 at $4.926 per share as part of the Dividend Reinvestment Plan.

Craige Wong was issued with 2,573 ordinary shares in the Company on 1 October 2018 at $5.45 per share as part of his director remuneration for the six months ended 30 September 2018, and 3,912,802 ordinary shares in the Company on 1 April 2019 at $4.77 per share as part of his director remuneration for the six months ended 31 March 2019. In addition, Graeme Wong was issued with 7,785 ordinary shares in the Company at $5.283 per share as part of his director remuneration for the six months ended 31 March 2019.

Cathie Quinn was also issued with 46 ordinary shares in the Company on 1 July 2018 at $5.292 per share and 685 ordinary shares in the Company at $4.926 per share as part of her director remuneration for the six months ended 31 March 2019. Cathie Quinn was issued with 1,892 ordinary shares in the Company on 1 October 2018 at $5.45 per share as part of her director remuneration for the six months ended 30 September 2018, and 3,302,390 ordinary shares in the Company on 1 April 2019 at $4.77 per share as part of her director remuneration for the six months ended 31 March 2019. In addition, Cathie Quinn purchased 2,270 ordinary shares in the Company on 1 October 2018 at $5.45 per share as part of her director remuneration for the six months ended 30 September 2018, and 8,953 ordinary shares in the Company on 1 April 2019 at $4.77 per share as part of the Dividend Reinvestment Plan.
Corporate governance (continued)
For the year ended 30 June 2019

General notice of Directors' interest

In addition to the share dealings described above, the following entries were made in the Directors' interests register during the year:

- R Campbell: General notice of interest as a member of the "Capital Markets 2029" Steering Committee.
- D Birch: General notice of interest as a director of NZ Venture Investment Fund Limited, director of Raaka Kao te Tonga AHC Limited, and a member of the Sustainable Finance Forum Leaders Group.
- K Howe: Nil.
- C Quinn: General notice of interest as a director of Rangatira Limited.
- C Trout: General notice of interest as a director of Investore Property Limited.
- C Wong: General notice of interest as a director of SCP Health Limited and Healthcare Group NZ Limited.
- R Hamilton: General notice of interest as Chief Financial Officer of SkyCity Entertainment Group Limited.

NZX Waivers

On 27 February 2017 thl obtained a waiver from NZXR from Rule 8.17 (which ensures that options may not be subsequently amended by an issuer in a manner that is detrimental to the interests of the holders of the underlying Equity Securities). The waiver was granted to the extent that the Rule would otherwise prevent the issue of options under thl’s long term incentive scheme for senior executives, introduced in 2017. The ruling allows for a formula to be used for the exercise price of the options, that will result in a fluctuating exercise price.

On 22 May 2019 thl obtained a waiver from NZXR from Listing Rule 6.5.2 under the revised NZX Listing Rules. This waiver redocumented the existing waiver received on 27 February 2017 in respect of Rule 8.17 under the former NZX Listing Rules.

Directors' loans

There were no loans by the Group to Directors.

Corporate governance (continued)
For the year ended 30 June 2019

Directors' insurance

The Group has arranged insurance cover and provided deeds of indemnity for Directors’ and Officers’ liability.

Auditors

In accordance with section 207T of the Companies Act 1993, PricewaterhouseCoopers are appointed as the Group’s auditors. Auditors’ remuneration is detailed in the notes to the financial statements.

Subsidiary companies

During the financial year ending 30 June 2019, the directors of thl’s subsidiary companies are as follows:

<table>
<thead>
<tr>
<th>Subsidiary companies</th>
<th>Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>THL Motorhomes Limited</td>
<td>Grant Webster and Mark Davis (ceased to be a director in October 2018)</td>
</tr>
<tr>
<td>THL Motorhomes UK Limited</td>
<td>Grant Webster and Daniel Schneider</td>
</tr>
<tr>
<td>Waitomo Caves Limited</td>
<td>Grant Webster and Mark Davis (ceased to be a director in October 2018)</td>
</tr>
<tr>
<td>Waitomo Caves Holdings Limited</td>
<td>Grant Webster and Mark Davis (ceased to be a director in October 2018)</td>
</tr>
<tr>
<td>GeoZone Limited</td>
<td>Grant Webster</td>
</tr>
<tr>
<td>THL Corporate Trustee Limited</td>
<td>Rob Campbell, Kay Howe</td>
</tr>
<tr>
<td>Road Bear NZ Limited</td>
<td>Grant Webster, Hannes Rosskopf and Tucker Schork</td>
</tr>
<tr>
<td>Maui Rentals Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>The Green Bus Company Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>THL Co Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>Tourism Holdings Rental Vehicles Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>World Travel Headquarters Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>Tourism Holdings Australia Pty Limited</td>
<td>Robert Campbell, Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>THL Group (Australia) Pty Limited</td>
<td>Grant Webster, Mark Davis (ceased to be a director in October 2018) and Catherine Meldrum</td>
</tr>
<tr>
<td>El Monte Rents Inc</td>
<td>Grant Webster, Hannes Rosskopf, Tucker Schork (ceased to be a director in November 2018) and Gordon Hewton (commenced as a director in November 2018)</td>
</tr>
<tr>
<td>JJ Motorcars Inc</td>
<td>Grant Webster, Hannes Rosskopf and Tucker Schork</td>
</tr>
<tr>
<td>Tourism Holdings USA Inc</td>
<td>Grant Webster, Hannes Rosskopf (ceased to be a director in November 2018) and Tucker Schork (ceased to be a director in November 2018)</td>
</tr>
</tbody>
</table>
Rob Campbell - Chairman (Auckland)

Independent Director appointed in May 2013. Appointed Chairman of thl in August 2013 and Chair of Market Disclosure Committee in April 2014. Rob has over 30 years experience in investment management and corporate governance. Currently Chair of SkyCity Entertainment Group Limited, Summerset Group Holdings Limited (NZ) and VEL Networks, and a director of Precinct Properties. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Debbie Birch (Wellington)

Independent Director appointed in September 2016. Debbie has held various director and trustee positions for the last 8 years and is currently Chair of Taupo Moana Investments Limited. She is a board member of Ruapehu Alpine Lifts Limited, NZ Venture Investment Fund Limited, White Island Tours Limited, Ngati Awa Group Holdings Limited, LCNZ Independent Assessment Board, Te Pūia Tāpapa GP Limited and a Trustee of Wellington Free Ambulance and a Member of the Sustainable Finance Forum Leaders Group. She has significant financial, commercial and strategic experience gained in Asia, Australia and New Zealand with more than 30 years working in global capital markets.

Rob Hamilton (Auckland)

Independent Director appointed in February 2019. Rob is currently Chief Financial Officer at SkyCity Entertainment Group Limited and also oversees SkyCity’s International Business division and ICT function. Prior to his role at SkyCity, Rob served as a Managing Director and the Head of Investment Banking at First NZ Capital. Rob is a respected member of the finance community, with more than 20 years’ experience in senior finance roles. Rob is also a Board of Trustees member for Auckland Grammar School and has previously been a Board member on the New Zealand Olympic Committee.

Kay Howe (Auckland)

Non Independent Director appointed in October 2012. Appointed Chair of the Marketing and Customer Experience Committee in December 2017. With a background in a variety of industries Kay entered into the tourism market in 1978 starting her first motormarine rental business as a small family operation. An industry pioneer, Kay is experienced in the operational, financial, sales and marketing of a rental motormarine business in New Zealand and has established strong industry relationships in many European markets. Kay founded Limited Vehicle Rentals in 1994 which was sold to thl on the 11th October, 2012. Kay is a non independent director under the NZX listing rules due to being a director of an entity that was a substantial security holder in thl.

Guorong Qian (CHINA)

Non-Independent Director appointed in July 2019. Guorong is currently Vice Chairman of CITIC Capital Holdings Limited, a global investment management and advisory firm which employs over 320 staff through 7 offices in China, Japan and the United States. Guorong has been with CITIC Capital in various roles since its founding. He previously worked in various brokerage, asset management and investment roles.

Cathy Quinn, ONZM (Auckland)

Independent Director appointed September 2017. Appointed Chair of the Sustainability & Risk Committee in May 2019. Cathy is currently a senior corporate partner at MinterEllisonRuddWatts; she served as the firm’s Chair for eight years and was also a member of the Australian MintersEllison Legal Group Executive Board for the period she chaired the firm. Cathy is a director of Fletcher Building Limited, Fletcher Building Industries Limited and Rangatira Limited. She is also a member of the Board of the NZ Treasury and chairs its Audit & Risk Committee. She is a former member of the NZ Securities Commission and Capital Markets Development Taskforce. Cathy was made an Officer of the NZ Order of Merit in 2016 for services to law and women.

Gráinne Troute (Auckland)

Independent Director appointed in February 2015. Appointed Chair Remuneration & Nomination Committee in February 2015. Gráinne is a director of NZX-listed companies Summerset Group Holdings Limited, Investore Property Limited and Evolve Education Group. Her executive career included the roles of General Manager Corporate Services for SkyCity Entertainment Group, Managing Director of McDonald’s Restaurants (New Zealand) Ltd, NZ Managing Director of Hilti consultancy Right Management and Hilti lead for Coopers & Lybrand Auckland (now PwC). Gráinne also served for many years as a trustee and chair in the not-for-profit sector, including having been Chair of Ronald McDonald House Charities NZ for five years.

Graeme Wong (Wellington)

Independent Director appointed in November 2007. Appointed Chairman of Audit Committee in February 2015. Background in stock broking, capital markets and investment. Founded and became Executive Chairman of Southern Capital Limited which listed on the NZX and evolved into Hirequip New Zealand Limited. The business was sold to private equity interests. Previous directorships include New Zealand Farming Systems Uruguay Limited, Sealdorf Group Limited, Tasman Agriculture Limited, Magnum Corporation Limited, and At Work Insurance; alternate director of Air New Zealand. Currently Chair of Harbour Asset Management Limited, Director of Axiograph Limited, Precinct Properties New Zealand Limited and shareholder and Director of Southern Capital Partners (NZ) Limited, which is active in advising and investing in cross border China transactions. Member of the Trust Board of Samuel Manden Collegiate School and Member of the Management Board of The Bible Society Development (New Zealand) Incorporated.