

Tourism Holdings Limited

Interim consolidated financial statements for the six months ended 31 December 2020

For and on behalf of the Board:



Rob Campbell
Chair of the Board

25 February 2021



Rob Hamilton
Chair of the Audit Committee

Consolidated income statement

For the six months ended 31 December 2020 (Unaudited)

		Unaudited 6 months to Dec 2020 \$000's	Unaudited 6 months to Dec 2019 \$000's	Audited 12 months to Jun 2020 \$000's
	Notes			
Sales of services		68,831	148,394	257,437
Sales of goods		136,997	59,058	143,493
Total revenue		205,828	207,452	400,930
Cost of sales		(116,890)	(51,283)	(125,502)
Gross profit		88,938	156,169	275,428
Administration expenses		(18,030)	(24,875)	(44,212)
Operating expenses		(75,659)	(102,015)	(185,685)
Other income(expense), net	2	6,582	1,722	3,080
Operating profit before financing costs*		1,831	31,001	48,611
Finance income		18	216	427
Finance expenses		(5,732)	(6,816)	(13,369)
Net finance costs		(5,714)	(6,600)	(12,942)
Share of profit/(loss) from associates	9	750	214	(376)
Share of profit/(loss) from joint ventures	8	210	(5,887)	(9,151)
(Loss)/profit before tax		(2,923)	18,728	26,142
Income tax benefit/(expense)	3	1,155	(5,675)	1,214
(Loss)/profit for the period		(1,768)	13,053	27,356
(Loss)/profit is attributable to:				
Equity holders of the Company		(1,433)	13,053	27,356
Non-controlling interests	9	(335)	-	-
		(1,768)	13,053	27,356
Earnings per share from (loss)/profit attributable to the equity holders of the Company during the period				
Basic earnings per share (in cents)		(1.0)	8.9	18.6
Diluted earnings per share (in cents)		(1.0)	8.6	18.6

* The consolidated income statement includes one non-GAAP measure (that is, operating profit before financing costs or "EBIT") which is not a defined term in New Zealand International Financial Reporting Standards (NZ IFRS). The Directors and management believe that this non-GAAP financial measure provides useful information to assist readers in understanding the Group's financial performance. This measure should not be viewed in isolation and is intended to supplement the NZ GAAP measures, therefore may not be comparable to similarly titled amounts reported by other companies.

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of comprehensive income

For the six months ended 31 December 2020 (Unaudited)

		Unaudited 6 months to Dec 2020 \$000's	Unaudited 6 months to Dec 2019 \$000's	Audited 12 months to Jun 2020 \$000's
	Notes			
(Loss)/profit for the period		(1,768)	13,053	27,356
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation reserve movement (net of tax)	16	(12,581)	(617)	(2,624)
Cash flow hedge reserve movement (net of tax)		1,699	626	(2,212)
Other comprehensive (loss)/ income for the period net of tax		(10,882)	9	(4,836)
Total comprehensive income for the period attributable to equity holders of the Company		(12,650)	13,062	22,520
Total comprehensive income for the period is attributable to:				
Equity holders of the Company		(12,315)	13,062	22,520
Non-controlling interests		(335)	-	-
		<u>(12,650)</u>	<u>13,062</u>	<u>22,520</u>

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity

For the six months ended 31 December 2020 (Unaudited)

	Notes	Share capital	Retained earnings	Cash flow hedge reserve	Other reserves	Non-controlling interests	Total equity
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Opening balance as at 1 July 2020		269,988	55,815	(6,695)	5,991	-	325,099
Comprehensive income							
Net profit for the six months ended 31 December 2020		-	(1,433)	-	-	(335)	(1,768)
Other comprehensive income							
Cash flow hedge reserve movement (net of tax)		-	-	1,699	-	-	1,699
Foreign currency translation reserve movement (net of tax)	16	-	-	-	(12,581)	-	(12,581)
Total comprehensive income		-	(1,433)	1,699	(12,581)	(335)	(12,650)
Transactions with owners							
Issue of ordinary shares (net of issue costs)	10	78	-	-	-	-	78
Non-controlling interests arising on a business combination	9	-	-	-	-	(2,020)	(2,020)
Transfer from employee share scheme reserve		-	147	-	(147)	-	-
Employee share scheme reserve		-	-	-	1,039	-	1,039
Total transactions with owners		78	147	-	892	(2,020)	(903)
Closing balance as at 31 December 2020		270,066	54,529	(4,996)	(5,698)	(2,355)	311,546

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity (continued)

For the six months ended 31 December 2019 (Unaudited)

	Notes	Share capital	Retained earnings	Cash flow hedge reserve	Other reserves	Non-controlling interests	Total equity
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Opening balance as at 1 July 2019		217,012	56,176	(4,483)	8,312	-	277,017
Adjustment on adoption of NZ IFRS 16 (net of tax)		-	(7,622)	-	-	-	(7,622)
As at 1 July 2019 (restated)		217,012	48,554	(4,483)	8,312	-	269,395
Comprehensive income							
Net profit for the six months ended 31 December 2019		-	13,053	-	-	-	13,053
Other comprehensive income							
Cash flow hedge reserve movement (net of tax)		-	-	626	-	-	626
Foreign currency translation reserve movement (net of tax)	16	-	-	-	(617)	-	(617)
Total comprehensive income		-	13,053	626	(617)	-	13,062
Transactions with owners							
Dividends on ordinary shares	4	-	(20,567)	-	-	-	(20,567)
Issue of ordinary shares (net of issue costs)	10	52,835	-	-	-	-	52,835
Transfer from employee share scheme reserve		75	(4)	-	(71)	-	-
Employee share scheme reserve		-	-	-	181	-	181
Total transactions with owners		52,910	(20,571)	-	110	-	32,449
Closing balance as at 31 December 2019		269,922	41,036	(3,857)	7,805	-	314,906

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2020 (Audited)

	Notes	Share capital \$000's	Retained earnings \$000's	Cash flow hedge reserve \$000's	Other reserves \$000's	Non-controlling interests \$000's	Total equity \$000's
Opening balance as at 1 July 2019		217,012	56,176	(4,483)	8,312	-	277,017
Adjustment on adoption of NZ IFRS 16 (net of tax)		-	(7,150)	-	-	-	(7,150)
As at 1 July 2019 (restated)		217,012	49,026	(4,483)	8,312	-	269,867
Comprehensive income							
Net profit for the year ended 30 June 2020		-	27,356	-	-	-	27,356
Other comprehensive income							
Cash flow hedge reserve movement (net of tax)		-	-	(2,212)	-	-	(2,212)
Transfer foreign currency gain to income statement in relation to Togo transaction		-	-	-	(9,066)	-	(9,066)
Foreign currency translation reserve movement (net of tax)	16	-	-	-	6,442	-	6,442
Total comprehensive income		-	27,356	(2,212)	(2,624)	-	22,520
Transactions with owners							
Dividends on ordinary shares	4	-	(20,567)	-	-	-	(20,567)
Issue of ordinary shares (net of issue costs)	10	52,904	-	-	-	-	52,904
Transfer from employee share scheme reserve		72	-	-	(72)	-	-
Employee share scheme reserve		-	-	-	375	-	375
Total transactions with owners		52,976	(20,567)	-	303	-	32,712
Closing balance as at 30 June 2020		269,988	55,815	(6,695)	5,991	-	325,099

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of financial position

As at 31 December 2020 (Unaudited)

	Notes	Unaudited Dec 2020 \$000's	Unaudited Dec 2019 \$000's	Audited Jun 2020 \$000's
Assets				
Non-current assets				
Property, plant and equipment	5	266,966	403,596	359,717
Right-of-use assets	6	59,159	68,820	69,562
Intangible assets		45,931	43,612	50,267
Financial asset recognised at fair value through the income statement	13	19,566	-	21,382
Investments in joint ventures	8	10,434	45,274	10,224
Investments in associates	9	4,747	4,691	4,044
Advance to joint venture		-	8,100	125
Deferred tax assets		-	-	1,656
Total non-current assets		406,803	574,093	516,977
Current assets				
Cash and cash equivalents		51,266	5,713	35,514
Trade and other receivables		22,086	31,467	28,930
Inventories		33,860	55,244	68,487
Advance to joint ventures	8	401	894	530
Current tax receivables		3,009	2,628	3,108
Derivative financial instruments	13	-	101	6
Total current assets		110,622	96,047	136,575
Total assets		517,425	670,140	653,552
Equity				
Share capital	10	270,066	269,922	269,988
Other reserves		(5,698)	7,805	5,991
Cash flow hedge reserve		(4,996)	(3,857)	(6,695)
Retained earnings		54,529	41,036	55,815
Non-controlling interests		(2,355)	-	-
Total equity		311,546	314,906	325,099
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	11	50,433	186,681	163,322
Derivative financial instruments	13	7,181	5,228	9,193
Lease liabilities		62,373	74,286	74,567
Deferred income tax liability		11,465	17,636	11,886
Total non-current liabilities		131,452	283,831	258,968
Current liabilities				
Interest-bearing loans and borrowings	11	22,850	7	-
Trade and other payables		23,443	26,153	37,001
Revenue in advance		11,750	25,552	12,192
Employee benefits		6,450	7,339	7,214
Derivative financial instruments	13	135	217	110
Lease liabilities		7,184	6,200	7,304
Current tax liabilities		2,615	5,935	5,664
Total current liabilities		74,427	71,403	69,485
Total liabilities		205,879	355,234	328,453
Total equity and liabilities		517,425	670,140	653,552

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows

For the six months ended 31 December 2020 (Unaudited)

		Unaudited 6 months to Dec 2020 \$000's	Unaudited 6 months to Dec 2019 \$000's	Audited 12 months to Jun 2020 \$000's
	Notes			
Cash flows from operating activities				
Receipts from sale of services		83,616	150,550	248,752
Proceeds from sale of goods		133,242	59,058	143,493
Interest received		18	60	212
Payments to suppliers and employees		(74,369)	(112,681)	(193,510)
Purchase of rental assets		(32,171)	(81,032)	(108,790)
Interest paid		(5,555)	(6,770)	(13,584)
Taxation paid		(64)	(8,247)	(7,484)
Proceeds from insurance recoveries (Mangere fire)	14	717	-	-
Net cash flows from operating activities		105,434	938	69,089
Cash flows from investing activities				
Sale of property, plant and equipment	5	110	10	126
Advance to joint ventures		-	(7,783)	(11,945)
Receipts from joint ventures	8	254	250	1,000
Purchase of property, plant and equipment	5	(246)	(1,808)	(4,125)
Purchase of intangibles		(2,261)	-	(432)
Net cash paid as part of the step acquisition of Outdoria		(373)	-	-
Net cash used in investing activities		(2,516)	(9,331)	(15,376)
Cash flows from financing activities				
Payment for lease liability principal		(3,643)	(3,143)	(6,442)
Proceeds from borrowings	11	12,251	66,075	101,150
Repayments of borrowings	11	(92,519)	(89,528)	(153,938)
Dividends paid	4	-	(17,373)	(17,373)
Proceeds from share issue (net of issue costs)	10	-	49,281	49,280
Net cash flows (used in)/from financing activities		(83,911)	5,312	(27,323)
Net increase/(decrease) in cash and cash equivalents		19,007	(3,081)	26,390
Opening cash and cash equivalents		35,514	8,837	8,837
Exchange (loss)/gain on cash and cash equivalents		(3,255)	(43)	287
Closing cash and cash equivalents		51,266	5,713	35,514

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

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Notes to the interim consolidated financial statements

About this report

Basis of preparation

The primary operations of Tourism Holdings Limited (the 'Company' or 'Parent' or '*thl*') and its subsidiaries (together 'the Group') are the manufacture, rental and sale of motorhomes and other tourism related activities. The Parent is domiciled in New Zealand. The registered office is Level 1, 83 Beach Road, Auckland 1010, New Zealand. Tourism Holdings Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The interim consolidated financial statements of the Group have been prepared:

- in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and consequently do not include all the information required for full financial statements. These condensed interim consolidated financial statements should be read in conjunction with the annual report for the year ended 30 June 2020;
- in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules;
- under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies; and
- in New Zealand dollars with values rounded to thousands (\$000's) unless otherwise stated.

These condensed interim consolidated financial statements were approved for issue on 25 February 2021.

These condensed interim consolidated financial statements have not been audited.

Critical accounting estimates and judgement

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates used in the preparation of these interim consolidated financial statements are consistent with those used in the 30 June 2020 annual financial statements.

Changes in accounting policies

The accounting policies used in the preparation of these interim consolidated financial statements are consistent with those used in the 30 June 2020 annual financial statements.

Notes to the interim consolidated financial statements

Section A - Financial Performance

In this section:

This section explains the financial performance of *thl*, providing additional information about individual items in the income statement, including segmental information, certain expenses and dividend distribution information.

1. Segment note

The operating segments of *thl* are reported from a geographic and service type perspective. They are made up of the following business operations:

- New Zealand Rentals - Rental of maui, Britz and Mighty motorhomes, and the sale of motorhomes;
- Tourism Group - Kiwi Experience and the Discover Waitomo Caves Group experiences;
- Australia Rentals - Rental of maui, Britz and Mighty motorhomes and 4WD vehicles, and the sale of motorhomes;
- United States Rentals - Rental and sale of Road Bear, Britz, Mighty and El Monte RVs and;
- Other - includes Group Support Services and *thl digital*. *thl digital* includes Mighway, SHAREaCAMPER, Togo Fleet and *thl*'s investment in Outdoria. The joint venture and associate are also included in this category.

Six months ended 31 December 2020	NZ Rentals	NZ Tourism Group	Australia Rentals	United States Rentals	Other	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sales of services	14,626	2,620	14,001	36,238	1,346	68,831
Sales of goods	55,565	-	15,874	65,558	-	136,997
Revenue from external customers	70,191	2,620	29,875	101,796	1,346	205,828
Depreciation	(10,099)	(813)	(7,631)	(6,132)	(400)	(25,075)
Asset impairment	-	(46)	-	-	-	(46)
Amortisation	(4)	(335)	(22)	(55)	(20)	(436)
Other costs	(69,316)	(1,923)	(24,840)	(79,032)	(3,329)	(178,440)
Operating profit/(loss) before interest and tax	(9,228)	(497)	(2,618)	16,577	(2,403)	1,831
Interest income	-	-	1	-	17	18
Interest expense	(383)	(40)	(578)	(1,597)	(3,134)	(5,732)
Share of profit/(loss) from joint ventures and associates	-	-	-	-	960	960
Operating profit/(loss) before tax	(9,611)	(537)	(3,195)	14,980	(4,560)	(2,923)
Taxation	2,691	68	958	(3,770)	1,208	1,155
Operating profit/(loss) - after interest and tax	(6,920)	(469)	(2,237)	11,210	(3,352)	(1,768)
Capital expenditure	2,297	65	6,276	469	2,154	11,261
Total non-current assets	134,332	20,328	88,142	114,465	49,536	406,803
Total assets	165,823	21,404	111,902	162,172	56,124	517,425
Net funds employed	124,103	16,583	55,397	71,884	65,595	333,562

Notes to the interim consolidated financial statements

1. Segment note (continued)

Six months ended 31 December 2019	NZ		Australia Rentals	United States		Other	Total
	Rentals	Tourism Group		Rentals	Rentals		
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Sales of services	40,498	17,785	37,706	52,405	-	-	148,394
Sales of goods	25,808	-	7,578	25,672	-	-	59,058
Revenue from external customers	66,306	17,785	45,284	78,077	-	-	207,452
Depreciation	(10,739)	(813)	(8,440)	(10,333)	(249)	-	(30,574)
Amortisation	(4)	(339)	(16)	(14)	(139)	-	(512)
Other costs	(48,075)	(12,316)	(28,227)	(55,342)	(1,405)	-	(145,365)
Operating profit/(loss) before interest and tax	7,488	4,317	8,601	12,388	(1,793)	-	31,001
Interest income	-	-	-	5	211	-	216
Interest expense	(535)	(47)	(752)	(2,634)	(2,848)	-	(6,816)
Share of profit/(loss) from joint ventures and associates	-	-	-	-	(5,673)	-	(5,673)
Operating profit/(loss) before tax	6,953	4,270	7,849	9,759	(10,103)	-	18,728
Taxation	(1,948)	(1,265)	(2,355)	(2,636)	2,529	-	(5,675)
Operating profit/(loss) - after interest and tax	5,005	3,005	5,494	7,123	(7,574)	-	13,053
Capital expenditure	39,194	727	17,509	3,796	277	-	61,503
Total non-current assets	197,167	25,061	105,273	186,206	60,386	-	574,093
Total assets	231,000	28,822	127,910	217,864	64,544	-	670,140
Net funds employed	176,479	19,801	76,274	165,073	58,254	-	495,881

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.

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 and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location for assets.

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 non-GAAP measures that are not defined in NZ IFRS. The Directors and management believe that these non-GAAP financial measures provide useful information to assist readers in understanding the Group's financial performance. These measures should not be viewed in isolation and are intended to supplement the NZ GAAP measures, therefore may not be comparable to similarly titled amounts reported by other companies. The net funds employed are segment total assets less segment non-interest-bearing liabilities and cash on hand. The lease liability as a result of NZ IFRS 16 is not considered to be part of funds employed.

Notes to the interim consolidated financial statements

2. Other income(expense), net

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
	\$000's	\$000's	\$000's
Gain/(loss) on disposal of non fleet assets	(602)	(99)	(110)
Fair value movements on financial assets recognised at fair value through profit or loss	561	-	-
Proceeds from insurance recoveries	2,474	-	-
Write-off of fleet items	(1,114)	-	-
Accounting gain on exiting Mangere branch	1,621	-	-
US PPP loan forgiveness	1,476	-	-
Loss on Togo exit transaction	-	-	(8,383)
Foreign currency translation gain on Togo exit transaction	-	-	9,066
Other	2,166	1,821	2,507
	<u>6,582</u>	<u>1,722</u>	<u>3,080</u>

3. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

4. Dividends

During the six months ended 31 December 2020 the Group paid no dividends. The 2019 final dividend paid in the year ended 30 June 2020 was \$20,567k (14 cents per share).

Notes to the interim consolidated financial statements

Section B - Assets used to generate profit

In this section:

This section describes the assets *thl* uses in the business to generate profit, including:

• Property, plant and equipment

The most significant component is the motorhome fleet. Premises, in general, are leased, however significant buildings are the Waitomo Caves Visitor Centre and the Waitomo Caves Homestead.

• Leased assets

The most significant leased assets relate to the premises in New Zealand, Australia and the United States.

5. Property, plant and equipment acquired and sold during the six month period

	Motorhomes \$000's	Other property, plant and equipment \$000's	Capital work in progress \$000's	Total \$000's
Six months ended 31 December 2020				
Opening net book amount	376,848	20,439	16,000	413,287
Additions and transfers from work in progress, (net)	20,541	464	(9,744)	11,261
Disposals	(95,516)	(684)	-	(96,200)
Exchange differences	(17,621)	(183)	(2)	(17,806)
Depreciation charge	(19,427)	(1,751)	-	(21,178)
Closing net book amount	264,825	18,285	6,254	289,364
As at 31 December 2020				
Cost	359,454	50,590	6,254	416,298
Accumulated depreciation	(94,629)	(32,305)	-	(126,934)
Net book amount	264,825	18,285	6,254	289,364
Reclassification of motorhomes to inventory at balance date				
Cost	31,172	-	-	31,172
Accumulated depreciation	(8,774)	-	-	(8,774)
Net book amount	22,398	-	-	22,398
Closing net book amount post reclassification	242,427	18,285	6,254	266,966
Six months ended 31 December 2019				
Opening net book amount	401,396	21,265	26,717	449,378
Additions and transfers from work in progress, (net)	72,693	1,010	(12,200)	61,503
Disposals	(43,242)	(112)	-	(43,354)
Exchange differences	(1,175)	(17)	(4)	(1,196)
Depreciation charge	(24,818)	(2,109)	-	(26,927)
Closing net book amount	404,854	20,037	14,513	439,404
As at 31 December 2019				
Cost	516,475	50,354	14,513	581,342
Accumulated depreciation	(111,621)	(30,317)	-	(141,938)
Net book amount	404,854	20,037	14,513	439,404
Reclassification of motorhomes to inventory at balance date				
Cost	49,248	-	-	49,248
Accumulated depreciation	(13,440)	-	-	(13,440)
Net book amount	35,808	-	-	35,808
Closing net book amount post reclassification	369,046	20,037	14,513	403,596

Notes to the interim consolidated financial statements

6. Leased assets

During the six months ended 31 December 2020, the Group had leased asset additions and modifications of \$4.1M and the Group has disposed or reduced the right-of-use asset by \$6.8M.

7. Capital commitment

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:

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Property, plant and equipment	139,473	122,016	27,160

Notes to the interim consolidated financial statements

Section C - Investments

In this section:

thl's investments comprise subsidiaries, associates and a joint venture. This section explains the investments held by *thl*, providing additional information, including:

- a) Accounting policies, judgements and estimates that are relevant for measuring the investments; and
- b) Analysis of *thl*'s associates and joint venture.

thl's investments include a 50% interest in AMLP, a business that manufactures motorhomes for the Group's New Zealand and Australian business segments and other speciality vehicles for external customers. *thl* previously had a 50% joint venture investment in Togo Group which was disposed of in March 2020. Other investment is a 49% interest in Just go, a motorhome rental operation in the United Kingdom.

8. Joint venture

Action Manufacturing LP (AMLP)

thl 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 15). 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 speciality vehicles for external customers.

The Group's recognised interest in AMLP

The following table sets out the Group's interest in AMLP:

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Investment in AMLP, beginning balance	10,224	8,797	8,797
Share of profits recognised against the investment balance during the year	210	1,414	1,427
Net investment recognised	10,434	10,211	10,224
Advance opening balance	655	1,144	1,144
Net cash advances/(repayment) during the year	(254)	(263)	(489)
Advance closing balance	401	881	655
Net interest in AMLP	10,835	11,092	10,879

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Non-current	10,434	10,586	10,349
Current	401	506	530
	10,835	11,092	10,879

Notes to the interim consolidated financial statements

9. Investments in associate

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

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
	\$000's	\$000's	\$000's
Just go	791	214	(376)
Outdoria (up to 31 July 2020)	(41)	-	-
Total	750	214	(376)

Just go

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:

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Just go	4,747	4,691	4,044

Outdoria

thl initially acquired an interest in Outdoria Pty Limited (Outdoria) indirectly through its 50% shareholdings in TH2Connect, LLC and TH2Connect LP ("Togo Group"). As part of the *thl* partial exit from Togo Group in March 2020, *thl* acquired 100% of the shareholding in TH2connect LP, which included its 46% shareholding in Outdoria. The investment in Outdoria was accounted under the equity method in accordance with NZ IAS 28 *Investments in Associates and Joint Ventures*.

On 31 July 2020, Outdoria bought back 18.2% of the shares which resulted in an increase in *thl*'s shareholding to 59.73%. The Group recognised \$41k of losses from Outdoria in the income statement for the month ended 31 July 2020. From that point onwards, the investment in Outdoria has been consolidated in TH2Connect LP, and ultimately in *thl*'s group financial statements under NZ IFRS 10 *Consolidated Financial Statements*. For the six months ended 31 December, the Group has recognised losses of \$335k related to Non-controlling interests (NCI) in the income statement.

In accordance with NZ IFRS 3 *Business Combinations*, a preliminary assessment was performed to measure Outdoria's identifiable assets and liabilities and contingent liabilities at fair value on 1 August 2020. As a result, *thl* recognised \$(2.0)M NCI on an acquisition-by-acquisition basis at the NCI's proportionate share of Outdoria's net identifiable liabilities, and \$659k of goodwill at the Group level.

Notes to the interim consolidated financial statements

Section D - Managing Funding

In this section:

This section summarises *thl's* funding sources and financial risks.

10. Share capital

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Ordinary shares			
Opening balance	269,988	217,012	217,012
Issue of ordinary shares – redeemable ordinary shares converted	-	654	658
Transfer from employee share scheme reserve for redeemable shares converted	-	75	72
Issue of ordinary shares – in lieu of Directors' fees	57	82	160
Ordinary shares to be issued – in lieu of Directors' fees accrued	21	(11)	(24)
Ordinary shares Issued under Dividend Reinvestment Plan	-	3,484	3,484
Less transaction costs arising on shares issued	-	(1,243)	(1,243)
Ordinary shares Issued - rights offer	-	49,869	49,869
Closing balance	270,066	269,922	269,988

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 \$50M 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 \$1.243M were incurred from the rights offer that was settled in July 2019.

11. Borrowings

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
Non-current	50,433	186,681	163,322
Current	22,850	7	-
	73,283	186,688	163,322

	Dec 2020	Dec 2019	Jun 2020
	\$000's	\$000's	\$000's
The Group has the following undrawn borrowing facilities:			
Expiring within one year	20,173	50,000	-
Expiring beyond one year	105,248	66,911	49,858
	125,421	116,911	49,858

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.

Notes to the interim consolidated financial statements

12. Seasonality of business

The tourism industry is subject to seasonal fluctuations with peak demand for tourism attractions and transportation over the summer months. The operating revenue and profits of the Group's segments are disclosed in note 1. New Zealand and Australia's profits are typically generated over the southern hemisphere summer months and the United States of America's profits are typically generated over the northern hemisphere summer months. Due to the seasonal nature of the businesses, the risk profile at 31 December 2020 is not representative of all risks faced during the year.

13. Financial risk management

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).

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 period.

Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

	Dec 2020		Dec 2019		Jun 2020	
	Assets \$000's	Liabilities \$000's	Assets \$000's	Liabilities \$000's	Assets \$000's	Liabilities \$000's
Derivative financial instruments (Level 2)	-	7,316	101	5,445	6	9,303
Retained interest in Togo Group (Level 3)	19,566	-	-	-	21,382	-

Notes to the interim consolidated financial statements

Section E - Other

In this section:

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

14. Fire in Mangere, Auckland

On 3 September 2020, a fire broke out at the Mangere rental branch in Auckland. As a result of the fire, the Mangere branch is unusable and a new branch has been established to enable the continuation of normal rental operations. The Mangere branch is a leased premise. The Group has insurance policies in relation to business interruption, material damages and rental vehicles. The insurer has confirmed the acceptance of the claim and all significant costs associated with the fire are expected to be fully covered.

Insurance proceeds to cover the assets that were written off and damaged as a result of the fire have been recognised as income. Insurance proceeds for other costs incurred (business interruption costs and other ongoing costs as a result of the fire) are recognised as income when the costs are incurred.

The Group has recognised the following expenses and insurance recoveries for the six months ended 31 December 2020:

	6 months to 31 Dec 2020
	\$000's
Insurance recoveries received	717
Insurance recoveries receivable	1,757
Book value of leasehold improvements and inventories written off	(1,116)
Rental vehicles written off (11 motorhomes)*	(668)
Cost of repair to damaged rental vehicles	(65)
Other ongoing costs incurred	(566)
Net profit before tax impact	59

* In the financial statements for the year ended 30 June 2020, 19 motorhomes were categorised by the loss adjuster as destroyed due to their positioning within the building. This has since been assessed and 8 motorhomes have been re-categorised to economically viable to repair.

15. Related party transactions

Key management compensation

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
	\$000's	\$000's	\$000's
Salaries and other short term employee benefits	1,837	2,676	4,461
Share based payments benefits	525	181	375

Total positions included in the executive team are 15 (31 December 2019: 15; 30 June 2020: 15).

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

Notes to the interim consolidated financial statements

15. Related party transactions (continued)

Directors' fees (shares issued in lieu of cash)

At the 2013 annual meeting of shareholders, shareholder approval was obtained for *thl* to issue shares in whole or in part payment of directors' remuneration. Currently, Rob Campbell and Rob Hamilton have elected to receive 50% of their director fees in shares, and Debbie Birch has elected to receive 33% of her director fees in shares. Shares issued in lieu of directors' fees are as follows:

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	12 months to 30 Jun 2020
No. of shares issued in lieu of cash (000's)	26	14	80
Value of shares issued in lieu of cash (\$000's)	57	82	160
Accrued value of shares yet to be issued in lieu of cash (\$000's)	42	34	21

Grant Brady (Managing Director of AMLP)

Grant Brady, Managing Director of AMLP, is a minority shareholder and Director of Bush Road Enterprises Limited. *thl* subleases a property in Bush Road which is owned by Bush Road Enterprises Limited. The amount of the lease payments are set out in the table below:

	6 months to 31 Dec 2020 \$000's	6 months to 31 Dec 2019 \$000's	12 months to 30 Jun 2020 \$000's
Total lease payments	222	247	486

Action Manufacturing LP

Grant Brady is a shareholder in another entity, Alpine Bird Manufacturing Limited, which owns 50% of Action Manufacturing Limited Partnership ("AMLP") that was set up in March 2012. AMLP manufactures the motorhomes and campervans used by 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.

	6 months to 31 Dec 2020 \$000's	6 months to 31 Dec 2019 \$000's	12 months to 30 Jun 2020 \$000's
Purchase of motorhomes by the Group from the joint venture	10,023	30,481	44,171
Sales of vehicles by the Group to the joint venture	478	788	1,177
Interest charged to the joint venture	10	24	37
Net interest in Action Manufacturing LP (note 8)	10,835	11,092	10,879
Management of Mighway vehicles	7	-	5

At 30 June 2020, \$14,429k (June 2019:\$10,689k) was outstanding under a Documentary Letter of Credit in favour of AMLP. This amount is included in the purchase of motorhomes shown above, and the outstanding amount is included in 'trade and other payables'. At 31 December 2020 and 31 December 2019 the amounts outstanding were nil.

Cathy Quinn

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

	6 months to 31 Dec 2020 \$000's	6 months to 31 Dec 2019 \$000's	12 months to 30 Jun 2020 \$000's
Legal services	32	185	577

Notes to the interim consolidated financial statements

15. Related party transactions (continued)

Just go

During the six months ended 31 December 2020, the Group did not purchase motorhomes from Just go (six months ended December 2019: \$13,057k; year ended 30 June 2020: \$13,096k).

Schork Family

As part of the consideration for the acquisition of El Monte Rents Inc in December 2016, the Group issued 3,384,266 ordinary shares to entities associated with the Schork family. An entity associated with the Schork family provides warranties to customers of El Monte Rents Inc - the total amount paid by customers during the six months ended 31 December 2020 was \$305k (six months ended 31 December 2019: \$133k, year ended 30 June 2020: \$300k). 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:

	6 months to 31 Dec 2020	6 months to 31 Dec 2019	6 months to 30 Jun 2020
	\$000's	\$000's	\$000's
Total lease payments	1,557	1,727	3,226

16. 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 the income statement as part of the gain or loss on disposal.

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

	Dec 2020	Dec 2019	Jun 2020
NZD/AUD	0.9384	0.9617	0.9340
NZD/USD	0.7227	0.6735	0.6426
NZD/GBP	0.5297	0.5136	0.5220

17. Contingencies

As at 31 December 2020, other than bank guarantees, which are predominantly in lieu of bonds paid relating to leased assets, the Group has no material contingent liabilities.

18. Events after the reporting period

Action Manufacturing LP

thl has a 50% shareholding in Action Manufacturing LP (AMLPL). The investment is classified as a joint venture for accounting purposes and accounted for using the equity method. The carrying value of *thl*'s investment in AMLPL as at 31 December 2020 was \$10.8M (refer to note 8). On 25 February 2021, *thl* signed an agreement to purchase the remaining 50% shareholding from Alpine Bird Manufacturing Limited for \$9M. The transaction is expected to settle in March 2021 and will be settled by \$1.5M of cash and \$7.5M worth of ordinary shares in *thl*. The number of shares is to be determined by the volume weighted average ordinary share price in the 30 days prior to 25 February 2021. The provisional acquisition accounting is yet to be determined.