# the report

***Success by design*** *– we take a look at* ***thl's*** *FY14 financials that show a successful turnaround in profitability with a 192% increase in NPAT.*

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## BOARD OF DIRECTORS

**Rob Campbell**
INDEPENDENT CHAIRMAN (AUCKLAND)
Appointed in May 2013
Appointed Chairman August 2013

**Graeme Bowker**
INDEPENDENT DIRECTOR (MELBOURNE)
Appointed in February 2003

**Christina Domecq**
INDEPENDENT DIRECTOR (AUCKLAND)
Appointed in February 2014

**Kay Howe**
NON INDEPENDENT DIRECTOR (AUCKLAND)
Appointed in October 2012

**David Neidhart**
NON INDEPENDENT DIRECTOR (SWITZERLAND)
Appointed in June 2013

**Graeme Wong**
INDEPENDENT DIRECTOR (WELLINGTON)
Appointed in November 2007

**FRONT COVER:**
MARK DAVIS, CHIEF FINANCIAL OFFICER

# Directors' statement

The Directors of Tourism Holdings Limited are pleased to present to shareholders the Annual Financial Statements for Tourism Holdings Limited and its controlled entities (together the 'Group') for the year to 30 June 2014.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2014 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 Reporting Act 1993.

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, in conjunction with the Shareholder Annual Review, constitutes the 2014 Annual Report to Shareholders of Tourism Holdings Limited.

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

Rob Campbell
Chairman

Graeme Bowker
Director

25 August 2014

# Income statement

*For the year ended 30 June 2014*

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Sales of services | | **160,240** | 157,515 | **85,317** | 73,529 |
| Sales of goods | 3 | **65,382** | 67,106 | **26,268** | 21,020 |
| TOTAL REVENUE | | **225,622** | 224,621 | **111,585** | 94,549 |
| Cost of sales | 3 | **(58,005)** | (61,644) | **(24,123)** | (20,923) |
| GROSS PROFIT | | **167,617** | 162,977 | **87,462** | 73,626 |
| Other operating income/(expenses) | 4 | **206** | (30) | **189** | (30) |
| Administrative expenses | 5 | **(17,662)** | (23,357) | **(10,111)** | (11,553) |
| Other operating expenses | 5 | **(127,350)** | (125,030) | **(66,817)** | (55,859) |
| OPERATING PROFIT/(LOSS) BEFORE FINANCING COSTS | | **22,811** | 14,559 | **10,723** | 6,184 |
| Finance income | 7 | **1,129** | 597 | **6,814** | 1,905 |
| Finance expenses | 8 | **(6,823)** | (7,899) | **(4,897)** | (5,182) |
| NET FINANCE COSTS | | **(5,694)** | (7,302) | **1,917** | (3,277) |
| Share of profit/(loss) from joint venture | 32 | **1,046** | (1,368) | **–** | – |
| Impairment reversal/(impairment) of joint venture | 32 | **–** | – | **1,046** | (1,368) |
| PROFIT BEFORE TAX | | **18,163** | 5,889 | **13,686** | 1,539 |
| Income tax expense | 9 | **(7,047)** | (2,081) | **(3,586)** | (221) |
| PROFIT FOR THE YEAR | | **11,116** | 3,808 | **10,100** | 1,318 |

| EARNINGS PER SHARE FROM PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY | | | |
|---|---|---|---|
| Basic earnings per share (in cents) | 10 | **10.0** | 3.6 |
| Diluted earnings per share (in cents) | 10 | **9.5** | 3.4 |

# Statement of comprehensive income

*For the year ended 30 June 2014*

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| PROFIT FOR THE YEAR | | 11,116 | 3,808 | 10,100 | 1,318 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS | | | | | |
| Foreign currency translation movement | 22,24 | (5,169) | (4,130) | – | – |
| Cash flow hedge reserve movement net of tax | 23 | 463 | 761 | 463 | 761 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR YEAR NET OF TAX | | (4,706) | (3,369) | 463 | 761 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | 6,410 | 439 | 10,563 | 2,079 |

# Statement of changes in equity

*For the year ended 30 June 2014*

| GROUP | NOTES | SHARE CAPITAL $000's | RETAINED EARNINGS $000's | CASH FLOW HEDGE RESERVE $000's | OTHER RESERVES $000's | TOTAL EQUITY $000's |
|---|---|---|---|---|---|---|
| OPENING BALANCE AS AT 1 JULY 2012 | | 143,798 | 5,478 | (1,915) | 8,664 | 156,025 |
| **Comprehensive income** | | | | | | |
| Net profit for the year ended 30 June 2013 | 24 | – | 3,808 | – | – | 3,808 |
| **Other comprehensive income** | | | | | | |
| Cash flow hedge reserve movement (net of tax) | 23 | – | – | 761 | – | 761 |
| Foreign currency translation reserve | 22 | – | (547) | – | (3,583) | (4,130) |
| Total comprehensive income | | – | 3,261 | 761 | (3,583) | 439 |
| **Transactions with owners** | | | | | | |
| Dividends on ordinary shares | 11,24 | – | (4,171) | – | – | (4,171) |
| Dividends forfeited | 24 | – | 150 | – | – | 150 |
| Issue of ordinary shares | 25 | 7,440 | – | – | – | 7,440 |
| Employee share scheme reserve | 22 | – | – | – | 165 | 165 |
| Total transactions with owners | | 7,440 | (4,021) | – | 165 | 3,584 |
| **Closing balance as at 30 June 2013** | | 151,238 | 4,718 | (1,154) | 5,246 | 160,048 |
| **OPENING BALANCE AS AT 1 JULY 2013** | | **151,238** | **4,718** | **(1,154)** | **5,246** | **160,048** |
| **Comprehensive income** | | | | | | |
| Net profit for the year ended 30 June 2014 | 24 | **–** | **11,116** | **–** | **–** | **11,116** |
| **Other comprehensive income** | | | | | | |
| Cash flow hedge reserve movement (net of tax) | 23 | **–** | **–** | **463** | **–** | **463** |
| Foreign currency gain/(loss) on net investment | 22 | **–** | **547** | **–** | **(547)** | **–** |
| Foreign currency translation reserve | 22 | **–** | **–** | **–** | **(5,169)** | **(5,169)** |
| Total comprehensive income | | **–** | **11,663** | **463** | **(5,716)** | **6,410** |
| **Transactions with owners** | | | | | | |
| Dividends on ordinary shares | 11 | **–** | **(7,802)** | **–** | **–** | **(7,802)** |
| Issue of ordinary shares | 25 | **1,097** | **–** | **–** | **–** | **1,097** |
| Transfer from employee share scheme reserve | 22 | **64** | **925** | **–** | **(989)** | **–** |
| Employee share scheme reserve | 22 | **–** | **–** | **–** | **143** | **143** |
| Total transactions with owners | | **1,161** | **(6,877)** | **–** | **(846)** | **(6,562)** |
| **CLOSING BALANCE AS AT 30 JUNE 2014** | | **152,399** | **9,504** | **(691)** | **(1,316)** | **159,896** |

| PARENT | NOTES | SHARE CAPITAL $000's | RETAINED EARNINGS $000's | CASH FLOW HEDGE RESERVE $000's | OTHER RESERVES $000's | TOTAL EQUITY $000's |
|---|---|---|---|---|---|---|
| OPENING BALANCE AS AT 1 JULY 2012 | | 143,798 | 3,924 | (1,915) | 1,154 | 146,961 |
| **Comprehensive income** | | | | | | |
| Net profit for the year ended 30 June 2013 | 24 | – | 1,318 | – | – | 1,318 |
| **Other comprehensive income** | | | | | | |
| Cash flow hedge reserve movement (net of tax) | 23 | – | – | 761 | – | 761 |
| Total comprehensive income | | – | 1,318 | 761 | – | 2,079 |
| **Transactions with owners** | | | | | | |
| Dividends on ordinary shares | 11,24 | – | (4,171) | – | – | (4,171) |
| Dividends forfeited | 24 | – | 150 | – | – | 150 |
| Issue of ordinary shares | 25 | 7,440 | – | – | – | 7,440 |
| Employee share scheme reserve | 22 | – | – | – | 165 | 165 |
| Total transactions with owners | | 7,440 | (4,021) | – | 165 | 3,584 |
| **Closing balance as at 30 June 2013** | | 151,238 | 1,221 | (1,154) | 1,319 | 152,624 |
| **OPENING BALANCE AS AT 1 JULY 2013** | | **151,238** | **1,221** | **(1,154)** | **1,319** | **152,624** |
| **Comprehensive income** | | | | | | |
| Net profit for the year ended 30 June 2014 | 24 | **–** | **10,100** | **–** | **–** | **10,100** |
| **Other comprehensive income** | | | | | | |
| Cash flow hedge reserve movement (net of tax) | 23 | **–** | **–** | **463** | **–** | **463** |
| Total comprehensive income | | **–** | **10,100** | **463** | **–** | **10,563** |
| **Transactions with owners** | | | | | | |
| Dividends on ordinary shares | 11 | **–** | **(7,802)** | **–** | **–** | **(7,802)** |
| Issue of ordinary shares | 25 | **1,097** | **–** | **–** | **–** | **1,097** |
| Transfer from employee share scheme reserve | 22 | **64** | **925** | **–** | **(989)** | **–** |
| Employee share scheme reserve | 22 | **–** | **–** | **–** | **143** | **143** |
| Total transactions with owners | | **1,161** | **(6,877)** | **–** | **(846)** | **(6,562)** |
| **CLOSING BALANCE AS AT 30 JUNE 2014** | | **152,399** | **4,444** | **(691)** | **473** | **156,625** |

# Statement of financial position

*As at 30 June 2014*

| | NOTES | GROUP 2014 $000's | GROUP 2013 $000's | PARENT 2014 $000's | PARENT 2013 $000's |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | 228,957 | 244,339 | 138,317 | 136,330 |
| Intangible assets | 17 | 20,790 | 22,578 | 7,826 | 8,360 |
| Investments in subsidiaries | 21 | – | – | 38,336 | 38,336 |
| Advance to joint venture | 32 | 5,012 | 7,078 | 5,012 | 7,078 |
| Advances to subsidiary companies | 35 | – | – | 28,659 | 32,395 |
| Loan receivable | 35 | 1,452 | 1,371 | 1,452 | 1,371 |
| Derivative financial instruments | 14 | 144 | 120 | 144 | 120 |
| **Total non-current assets** | | 256,355 | 275,486 | 219,746 | 223,990 |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 3,479 | 5,480 | 274 | 747 |
| Trade and other receivables | 18 | 15,119 | 19,126 | 7,228 | 7,235 |
| Inventories | 19 | 17,281 | 20,459 | 12,579 | 12,571 |
| Advance to joint venture | 32 | 2,500 | – | 2,500 | – |
| Assets held for sale | 20 | – | 8,039 | – | 8,039 |
| Taxation receivable | | 774 | 1,340 | 4 | 7 |
| Derivative financial instruments | 14 | 27 | – | 27 | – |
| **Total current assets** | | 39,180 | 54,444 | 22,612 | 28,599 |
| **Total assets** | | 295,535 | 329,930 | 242,358 | 252,589 |
| **EQUITY** | | | | | |
| Issued capital | 25 | 152,399 | 151,238 | 152,399 | 151,238 |
| Other reserves | 22 | (1,316) | 5,246 | 473 | 1,319 |
| Cash flow hedge reserve | 23 | (691) | (1,154) | (691) | (1,154) |
| Retained earnings | 24 | 9,504 | 4,718 | 4,444 | 1,221 |
| **Total equity** | | 159,896 | 160,048 | 156,625 | 152,624 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest bearing loans and borrowings | 28 | 66,607 | 93,574 | 43,448 | 61,275 |
| Derivative financial instruments | 14 | 1,130 | 1,723 | 1,130 | 1,723 |
| Deferred income tax liability | 29 | 6,249 | 3,698 | 4,205 | 1,166 |
| **Total non-current liabilities** | | 73,986 | 98,995 | 48,783 | 64,164 |
| **Current liabilities** | | | | | |
| Interest bearing loans and borrowings | 28 | 15,532 | 31,553 | 9,341 | 23,079 |
| Trade and other payables | 27 | 30,637 | 24,556 | 21,258 | 8,025 |
| Revenue in advance | | 11,138 | 11,249 | 3,398 | 2,591 |
| Employee benefits | | 4,346 | 3,529 | 2,953 | 2,106 |
| **Total current liabilities** | | 61,653 | 70,887 | 36,950 | 35,801 |
| **Total liabilities** | | 135,639 | 169,882 | 85,733 | 99,965 |
| **Total equity and liabilities** | | 295,535 | 329,930 | 242,358 | 252,589 |

For and on behalf of the board who authorised the issue of the Financial Report on 25 August 2014.

R J Campbell
25 August 2014

G W Bowker

# Statement of cash flows

*For the year ended 30 June 2014*

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | 164,318 | 158,950 | 86,438 | 73,545 |
| Proceeds from sale of goods | | 65,382 | 68,896 | 26,268 | 21,020 |
| Interest received | | 1,129 | 597 | 1,479 | 1,905 |
| Taxation received | | – | 90 | 4 | 90 |
| Suppliers and employees | | (116,551) | (104,798) | (60,372) | (53,063) |
| Purchase of rental assets | | (60,887) | (70,380) | (21,164) | (9,678) |
| Interest paid | | (6,430) | (7,898) | (4,449) | (5,182) |
| Taxation paid | | (2,996) | (3,293) | – | – |
| **Net cash flows from operating activities** | | 43,965 | 42,164 | 28,204 | 28,637 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Sale of property, plant and equipment | 15 | 61 | – | 17 | – |
| Advances from subsidiaries | | – | – | 4,751 | – |
| Advance from joint venture | 32 | 612 | 786 | 612 | 786 |
| Sale of intangibles | | – | 19 | – | 19 |
| Sale of assets held for sale | 20 | 950 | – | 950 | – |
| Purchase of property, plant and equipment | 15 | (1,596) | (2,153) | (856) | (875) |
| Purchase of intangibles | 17 | – | (697) | – | (536) |
| Acquisition of KEA Campers and United Campervans | 31 | – | (53,083) | – | (53,083) |
| Loans made | 35 | – | (1,371) | – | (1,371) |
| Advances to subsidiaries | | – | – | – | (2,797) |
| Dividends received | 35 | – | – | 4,266 | – |
| **Net cash (used in)/from investing activities** | | 27 | (56,499) | 9,740 | (57,857) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from borrowings | 28 | – | 19,760 | – | 33,595 |
| Repayment of borrowings | 28 | (38,621) | – | (31,564) | – |
| Proceeds from share issue | 25 | 949 | – | 949 | – |
| Dividends paid | 11 | (7,802) | (4,021) | (7,802) | (4,021) |
| **Net cash flows (used in)/from financing activities** | | (45,474) | 15,739 | (38,417) | 29,574 |
| **Net increase/(decrease) in cash balances** | | (1,482) | 1,404 | (473) | 354 |
| **Opening cash** | | 5,480 | 4,083 | 747 | 393 |
| Foreign currency translation adjustment | | (519) | (7) | – | – |
| **Closing cash** | | 3,479 | 5,480 | 274 | 747 |

# Reconciliation of profit after taxation with cash flows from operating activities

*For the year ended 30 June 2014*

| | NOTES | GROUP 2014 $000's | GROUP 2013 $000's | PARENT 2014 $000's | PARENT 2013 $000's |
|---|---|---|---|---|---|
| OPERATING PROFIT/(LOSS) AFTER TAX | | 11,116 | 3,808 | 10,100 | 1,318 |
| Plus/(less) non-cash items: | | | | | |
| Depreciation | 15 | 35,828 | 41,167 | 17,423 | 17,120 |
| Amortisation of fixed term intangibles | 17 | 1,637 | 1,761 | 1,134 | 1,228 |
| Impairment of assets held for sale | | – | 477 | – | 477 |
| (Reversal of impairment)/impairment of assets | | – | (888) | – | (361) |
| Amortisation of executive share scheme | 35 | 143 | 165 | 143 | 165 |
| Movement in deferred taxation | | 2,952 | (314) | 2,858 | 221 |
| Increase/(decrease) in provision for doubtful debts | 18 | (150) | (320) | (130) | (247) |
| Non-cash director remuneration | | 132 | – | 132 | – |
| Interest | | 393 | – | (620) | – |
| Share of loss from joint venture | 32 | (1,046) | 1,368 | (1,046) | 1,368 |
| Total non-cash items | | 39,889 | 43,416 | 19,894 | 19,971 |
| Plus/(less) items classified as investing activities: | | | | | |
| Net loss/(gain) on sale of property, plant and equipment | 4 | 101 | 30 | 118 | 30 |
| Dividends received | | – | – | (4,266) | – |
| Acquisition related costs of KEA Campers and United Campervans | 31 | – | 1,405 | – | 1,405 |
| Total items classified as investing activities | | 101 | 1,435 | (4,148) | 1,435 |
| Reclassification of cash flows associated with rental assets | | | | | |
| Net book value of rental assets sold | | 51,421 | 55,926 | 18,828 | 16,071 |
| Purchase of rental assets | | (60,887) | (70,380) | (21,164) | (9,678) |
| Total cash flows associated with rental assets | | (9,466) | (14,454) | (2,336) | 6,393 |
| Trading cash flow | | 41,640 | 34,205 | 23,510 | 29,117 |
| Plus/(less) movements in working capital: | | | | | |
| Increase/(decrease) in accounts payable excluding rental assets | | (4,398) | 4,020 | 1,894 | 1,864 |
| Increase/(decrease) in revenue received in advance | | 785 | 1,709 | 807 | 1,847 |
| Increase/(decrease) in provision for taxation | | 407 | (809) | 4 | 90 |
| Increase/(decrease) in employee benefits | | 1,110 | 1,106 | 847 | 917 |
| Decrease/(increase) in accounts receivable | | 3,116 | 1,517 | 137 | (1,831) |
| Decrease/(increase) in inventories | | 1,305 | 416 | 1,005 | (3,367) |
| Total movements in working capital | | 2,325 | 7,959 | 4,694 | (480) |
| Net cash flows from operating activities | | 43,965 | 42,164 | 28,204 | 28,637 |

NZ IAS 7 requires the cash flows associated with the sale and purchase of rental assets to be classified as an operating activity. Below are the details of the sale of rental assets:

| | | GROUP 2014 $000's | GROUP 2013 $000's | PARENT 2014 $000's | PARENT 2013 $000's |
|---|---|---|---|---|---|
| Proceeds from sale of rental assets | | 61,291 | 63,799 | 22,177 | 17,713 |
| Book value of assets sold | | (51,421) | (55,926) | (18,828) | (16,071) |
| Gain on sale | | 9,870 | 7,873 | 3,349 | 1,642 |
| Net cash flows from operating activities prior to adoption of NZ IAS 7 resulting in the sale and purchase of rental assets being classified as an operating activity | | 53,431 | 56,618 | 30,540 | 22,244 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES

### BASIS OF PRESENTATION

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 campervans 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.

The Parent is a limited liability company registered under the Companies Act 1993, an issuer in terms of the Securities Act 1978 and is listed on the NZX. The financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993. Tourism Holdings Limited is a profit oriented company.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Financial Reporting Act 2013 which requires compliance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) and other applicable Financial Reporting Standards (NZ FRS). These financial statements also comply with International Financial Reporting Standards.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

The preparation of 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 disclosed in the policies below. Tourism Holdings Limited and any other party do not have the power to alter the financial statements after they have been issued.

Comparatives have been restated where needed to conform to current-year classification and presentation.

During the period XRB A1 'Accounting Standards Framework (For-profit entities update)' (XRB A1) was adopted. XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Parent is a Tier 1 entity. There was no impact on the current or prior year financial statements from applying XRB A1.

As at 30 June 2014 and 2013 the Group and Parent have net current liabilities. This is not reflective of the benefit of rental assets that will be reclassified to inventory from non-current property, plant and equipment and subsequently sold in the normal course of business as part of the operating cycle of the United States, New Zealand and Australian rentals businesses. In addition the balance sheet reflects the seasonality of the tourism businesses which sees increased New Zealand and Australian tourism activity over the southern hemisphere summer.

### CONSOLIDATION

**Subsidiaries**

The Group's accounting policy for the consolidation of subsidiaries is as follows:

Subsidiaries are all entities (including structured 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If a business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

**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.

**Joint arrangements**
The Group has applied IFRS 11 to all joint arrangements as of 1 July 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

### SEGMENT REPORTING
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, 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.

### 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.

**Transaction and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

**Group companies**
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:

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. income and expenses for each income statement are translated at the average monthly exchange rates; and

iii. all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### PROPERTY, PLANT AND EQUIPMENT
Land and buildings comprise mainly buildings and leasehold improvements of rented properties including branches, retail outlets and offices. Land and buildings are shown at historical cost, less subsequent accumulated depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Land is not depreciated. 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.

Depreciation on motorhome assets is calculated using the straight-line method to allocate their cost to their residual values at the estimated date of disposal from the fleet. The estimated useful lives of motorhomes on the rental fleet are:

| | | |
|---|---|---|
| Motorhomes | 1 - 6 | years |

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

| | | |
|---|---|---|
| Buildings & leasehold improvements | 10 - 40 | years |
| Vehicles & coaches | 5 - 20 | years |
| Other plant & equipment | 3 - 5 | years |

The assets' residual values and 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.

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

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

### INTANGIBLE ASSETS

**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. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. 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 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 that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

**Brands**

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands are deemed to have an indefinite life as the Group has determined that there is no foreseeable limit to the period over which the brands are expected to generate net cash in-flows for the entity. Brands are tested annually for impairment and are carried at cost less any accumulated impairment losses.

**Trademarks and licences**

Trademarks and licences are shown at historical cost of acquisition by the Group less amortisation over the term of the particular licence.

**Computer software**

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 developing or 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 recognised as assets are amortised over their estimated useful lives (three to five years).

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

### FINANCIAL ASSETS

Loans and receivables and derivatives held for trading recognised on trade date are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include trade and other receivables and cash and equivalents in the balance sheet.

### OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### IMPAIRMENT OF FINANCIAL ASSETS

**Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

### 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. 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 either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in the notes. 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.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other (losses)/gains – net'. Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

**Cash flow hedge**

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 within 'other (losses)/gains – net'.

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 costs'. The gain or loss relating to the effective 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.

### INVENTORIES

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.

### TRADE RECEIVABLES

Trade 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. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

### 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.

### SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

#### TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

#### BORROWINGS

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 (6 months or more) to get ready for their intended use.

#### CURRENT AND DEFERRED INCOME TAX

Income tax expenses in relation to the surplus or deficit for the period 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 recovered 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 taxable profits will be available against which the 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 dealt with in equity.

#### EMPLOYEE BENEFITS

**Share scheme**

The Group operates 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. Refer to note 26 (Share based payments).

Amounts accumulated in the executive 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.

**Short term employee benefits**

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

#### PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligations; and the amount has been reliability estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Warranty provisions relate to repairs of third party motorhomes. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

### REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of goods and services tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

**i) Sales of services**

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction. Where the sale of services covers a period of more than one day the sale is assessed 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.

**ii) Sales of goods**

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. Sales of motorhomes are recognised when the transfer of risks and rewards takes place and are invoiced at that time. Sales of goods includes sale of rental assets, trade-ins, new vehicles and accessories.

### LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 Group leases certain vehicles, property, plant and equipment (i.e. is the lessee). Leases of vehicles, property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The vehicles, property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the assets or the lease term.

### DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

### FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. See further disclosure in note 13.

The nominal value less impaired provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Interest rate swaps are valued by projecting forward cash flows over the future life of the transaction using the interest rate yield curve as at balance date. The cash flows are then discounted to present value using the same yield curve. The interest rate swap is valued at the sum of all the present value cash flows.

### 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**i) Estimated impairment of goodwill and brands**

The Group tests annually whether goodwill and brands have suffered any impairment, in accordance with the accounting policy stated in the notes. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (refer to note 17). These calculations require the use of estimates.

**ii) Income taxes**

The Group is subject to income taxes in three 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.

**iii) Fleet impairment provisions**

The Group has estimated the impairment charge on the fleet based on the difference between the current carrying value of the fleet and their recoverable amounts.

**iv) Share based payment expense**

The Group has estimated the fair value of the redeemable shares using a binomial option pricing model.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 1. STATEMENT OF ACCOUNTING POLICIES CONTINUED

### CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

**(a) New and amended standards adopted by the Group**

NZ IFRS 10, 'Consolidated financial statements'. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent 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. The adoption of NZ IFRS 10 from 1 July 2013 has had no significant impact on the consolidated financial statements of the Group.

NZ IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

The Group has joint control over RV Manufacturing Group Limited by virtue of its 50% share in the equity shares of the company and the requirement for unanimous consent by all parties over decisions related to the relevant activities of the arrangement. The investment is classified as a joint venture under NZ IFRS 11 and therefore the equity method of accounting has been used in the consolidated financial statements. This is consistent with the accounting treatment of the joint venture in prior years.

NZ IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The adoption of NZ IFRS 12 from 1 July 2013 has had no significant impact on the consolidated financial statements of the Group.

NZ IFRS 13 'Fair value measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other NZ IFRSs. Additional fair value disclosures have been made in note 13 and the method of computation for the fair value of derivative financial instruments now includes an assessment of the credit risk of derivative contract counterparties and an assessment of the entity's own credit risk.

In accordance with the transitional provisions of NZ IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the adoption of NZ IFRS 13 on 1 July 2013 has had no material impact on the measurement of the Group's assets and liabilities.

NZ IAS 27 (revised 2011), 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of NZ IAS 27 have been included in the new NZ IFRS 10. The adoption of NZ IAS 27 from 1 July 2013 has had no significant impact on the consolidated financial statements of the Group.

NZ IAS 28 (revised 2011), 'Associates and joint ventures', includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of NZ IFRS 11. The adoption of NZ IAS 28 from 1 July 2013 has had no significant impact on the consolidated financial statements of the Group.

**(b) New standards not yet adopted by the Group**

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

i) NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, October 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. The Group is yet to assess NZ IFRS 9's full impact.

In addition to NZ IFRS 9, IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board in July 2014 as a complete version of the standard. This standard adds to the requirements of NZ IFRS 9 by incorporating the expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Group is yet to assess the impact of this standard and does not expect to adopt it before its effective date.

ii) NZ IFRS 15, Revenue from contracts with customers addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has an effective date for annual periods beginning on or after 1 January 2017. The Group has yet to assess NZ IFRS 15's full impact, and will apply this standard from 1 July 2017.

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.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 2. SEGMENT NOTE

| 2014 | NEW ZEALAND RENTALS $000's | NEW ZEALAND TOURISM GROUP $000's | AUSTRALIA RENTALS $000's | UNITED STATES RENTALS $000's | GROUP SUPPORT SERVICES $000's | TOTAL $000's |
|---|---|---|---|---|---|---|
| Sales of services | 60,375 | 25,052 | 56,855 | 17,958 | – | 160,240 |
| Sales of goods | 26,268 | – | 12,426 | 26,688 | – | 65,382 |
| **Revenue from external customers** | 86,643 | 25,052 | 69,281 | 44,646 | – | 225,622 |
| Depreciation | (15,820) | (1,139) | (15,058) | (3,339) | (472) | (35,828) |
| Other operating costs | (63,380) | (17,349) | (50,536) | (33,684) | (2,034) | (166,983) |
| **Operating profit/(loss) before interest and tax** | 7,443 | 6,564 | 3,687 | 7,623 | (2,506) | 22,811 |
| Interest income | – | – | 50 | – | 1,079 | 1,129 |
| Interest expense | (352) | – | (2,068) | (619) | (3,784) | (6,823) |
| Joint venture net profit/(loss) before tax | – | – | – | – | 1,046 | 1,046 |
| **Operating profit/(loss) before tax** | 7,091 | 6,564 | 1,669 | 7,004 | (4,165) | 18,163 |
| Taxation | (2,265) | (1,956) | (495) | (2,945) | 614 | (7,047) |
| **Operating profit/(loss) – after interest and tax** | 4,826 | 4,608 | 1,174 | 4,059 | (3,551) | 11,116 |
| Capital expenditure | 32,074 | 360 | 15,181 | 26,144 | – | 73,760 |
| Non-current assets | 119,359 | 27,000 | 65,677 | 30,292 | 9,015 | 251,343 |
| Advance to joint venture (non-current portion) | – | – | – | – | 5,012 | 5,012 |
| **Total non-current assets** | 119,359 | 27,000 | 65,677 | 30,292 | 14,027 | 256,355 |
| **Total assets** | 137,522 | 28,471 | 75,850 | 36,650 | 17,042 | 295,535 |
| **Net funds employed** | 110,916 | 25,804 | 58,194 | 30,067 | 13,577 | 238,558 |

The chief operating decision maker ('CODM') has been identified as the executive team together with the Board of Directors. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The CODM assess the performance of the operating segments based on a measure of operating profit (earnings before interest and tax). The costs of major business acquisitions are reflected within Group Support Services. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the CODM.

As at 30 June 2014 the CODM considers the business from both a geographical and service/product perspective, the CODM considers the performance of business based on the rentals division in Australia, United States of America and New Zealand, as well as the Tourism Group segment in New Zealand. Group Support Services costs are reported separately.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 2. SEGMENT NOTE CONTINUED

| 2013 | NEW ZEALAND RENTALS $000's | NEW ZEALAND TOURISM GROUP $000's | AUSTRALIA RENTALS $000's | UNITED STATES RENTALS $000's | GROUP SUPPORT SERVICES $000's | TOTAL $000's |
|---|---|---|---|---|---|---|
| Sales of services | 52,788 | 20,780 | 66,668 | 17,224 | 55 | 157,515 |
| Sales of goods | 21,020 | – | 20,102 | 25,984 | – | 67,106 |
| **Revenue from external customers** | 73,808 | 20,780 | 86,770 | 43,208 | 55 | 224,621 |
| Depreciation | (15,082) | (1,142) | (20,240) | (3,802) | (901) | (41,167) |
| Other operating costs | (53,221) | (15,672) | (65,237) | (32,874) | (1,891) | (168,895) |
| **Operating profit/(loss) before interest and tax** | 5,505 | 3,966 | 1,293 | 6,532 | (2,737) | 14,559 |
| Interest income | – | – | 37 | – | 560 | 597 |
| Interest expense | (285) | – | (1,888) | (828) | (4,898) | (7,899) |
| Joint venture net profit/(loss) before tax | – | – | – | – | (1,368) | (1,368) |
| **Operating profit/(loss) before tax** | 5,220 | 3,966 | (558) | 5,704 | (8,443) | 5,889 |
| Taxation | (1,219) | (1,375) | 475 | (2,097) | 2,135 | (2,081) |
| **Operating profit/(loss) – after interest and tax** | 4,001 | 2,591 | (83) | 3,607 | (6,308) | 3,808 |
| Capital expenditure | 78,606 | 496 | 29,380 | 28,643 | 16 | 137,141 |
| Non-current assets | 122,919 | 28,383 | 80,973 | 33,221 | 2,912 | 268,408 |
| Advance to joint venture (non-current portion) | – | – | – | – | 7,078 | 7,078 |
| **Total non-current assets** | 122,919 | 28,383 | 80,973 | 33,221 | 9,990 | 275,486 |
| **Total assets** | 140,849 | 30,229 | 95,833 | 42,630 | 20,269 | 329,810 |
| **Net funds employed** | 128,190 | 27,701 | 71,811 | 33,932 | 17,955 | 279,589 |

Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. The CODM does not distinguish between revenue from internal or external customers when measuring the performance of segments. 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. They exclude future income tax benefit, deferred taxation, investments and derivatives designated as hedges of borrowings as they are not allocated to segments. Net funds employed are total assets less segment non interest bearing liabilities and cash on hand.

Assets held for sale are recognised in Group Support Services.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 3. SALES OF GOODS

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Sales of goods | **65,382** | 67,106 | **26,268** | 21,020 |
| Cost of goods | **(54,600)** | (57,882) | **(21,897)** | (18,027) |
| Vehicle selling expenses | **(3,405)** | (3,762) | **(2,226)** | (2,896) |
| Cost of sales | **(58,005)** | (61,644) | **(24,123)** | (20,923) |
| Gain on sale | **7,377** | 5,462 | **2,145** | 97 |

## 4. OTHER OPERATING INCOME/(EXPENSES)

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Net loss on disposal of fixed assets | **(101)** | (30) | **(118)** | (30) |
| Other operating income | **307** | – | **307** | – |
| | **206** | (30) | **189** | (30) |

## 5. PROFIT BEFORE TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Audit fees – PricewaterhouseCoopers | | | | | |
| Audit of financial statements | | **234** | 222 | **131** | 163 |
| Other fees – PricewaterhouseCoopers | | | | | |
| Treasury services[i] | | **38** | 27 | **38** | 27 |
| Agreed upon procedures[ii] | | **12** | – | **12** | – |
| Other services[iii] | | **18** | – | **18** | – |
| Total fees paid to PricewaterhouseCoopers | | **302** | 249 | **199** | 190 |
| Internal audit fees – Ernst & Young | | **132** | 151 | **132** | 151 |
| Bad debts written off directly to the income statement | 18 | **(21)** | 92 | **–** | 92 |
| Movement in provision for impairment of receivables | 18 | **(150)** | (320) | **(130)** | (247) |
| Donations | | **9** | 9 | **9** | 9 |
| Directors' fees | | **434** | 391 | **434** | 391 |
| Depreciation | | **35,828** | 41,167 | **17,423** | 17,120 |
| Impairment of assets held for sale | | **–** | 477 | **–** | 477 |
| Amortisation of intangible assets | | **1,637** | 1,761 | **1,134** | 1,228 |
| Employee benefit expense | 6 | **41,925** | 37,581 | **27,021** | 23,006 |
| Rental and operating lease costs | | **5,756** | 7,587 | **2,475** | 2,501 |
| Raw materials and consumables | | **271** | 324 | **–** | – |
| Repairs and maintenance including damage repairs | | **13,983** | 16,804 | **7,308** | 4,637 |
| Net foreign exchange losses/(gains) | | **322** | 195 | **–** | 1 |

Notes on fees paid to auditor:

i. Treasury services includes treasury risk management advice, and in 2014 includes a gearing review.

ii. Agreed upon procedures in respect of lease payment obligations (which is a condition of certain leases), and voting at the Annual Meeting.

iii. Other services include (1) advisory services relating to the Group's information technology strategy; and (2) accounting advice.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 6. EMPLOYEE BENEFIT EXPENSE

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Wages and salaries | 40,223 | 35,758 | 26,158 | 22,084 |
| Share-based payment costs | 143 | 165 | 143 | 165 |
| Other employee benefits | 1,559 | 1,658 | 720 | 757 |
| Total employee remuneration | 41,925 | 37,581 | 27,021 | 23,006 |

## 7. FINANCE INCOME

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Dividend income | – | – | 4,266 | – |
| Interest income | 1,129 | 597 | 2,548 | 1,905 |
| | 1,129 | 597 | 6,814 | 1,905 |

## 8. FINANCE EXPENSES

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Interest expense | | | | |
| – Bank borrowings | 6,069 | 6,261 | 4,544 | 4,897 |
| – Other loans | 364 | 527 | 353 | 285 |
| – Capitalised lease obligations | 390 | 1,111 | – | – |
| | 6,823 | 7,899 | 4,897 | 5,182 |

## 9. INCOME TAX EXPENSE

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTE | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Current tax | | 4,671 | 2,967 | 720 | 61 |
| Deferred tax | 29 | 2,376 | (886) | 2,866 | 160 |
| | | 7,047 | 2,081 | 3,586 | 221 |

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:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Profit before tax – continuing operations | 18,163 | 5,889 | 13,686 | 1,227 |
| Tax calculated at domestic rates applicable to profits in the respective countries | 6,014 | 2,353 | 3,832 | 357 |
| Non-assessable dividend income | – | – | (1,194) | – |
| Non-assessable income – other | (83) | – | (78) | – |
| Expenses not deductible for tax purposes | 385 | 210 | 385 | 240 |
| Unclaimed foreign tax credits | 293 | 61 | 293 | 61 |
| Prior year tax adjustment | 438 | (543) | 348 | (437) |
| Income tax expense | 7,047 | 2,081 | 3,586 | 221 |

The weighted average applicable tax rate was 39% (2013: 35%).

# Notes to the financial statements

*For the year ended 30 June 2014*

## 10. EARNINGS PER SHARE

**Basic**

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year (note 25).

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Profit attributable to the equity holders of the Parent | 11,116 | 3,808 |
| Weighted average number of ordinary shares on issue | 110,815,382 | 106,193,521 |
| Basic earnings per share (in cents) | 10.0 | 3.6 |

**Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

| | NOTE | 2014 $000's | 2013 $000's |
|---|---|---|---|
| Weighted average number of ordinary shares on issue | | 110,815,382 | 106,193,521 |
| Redeemable shares if exercised | 26 | 6,075,000 | 6,900,000 |
| Total shares | | 116,890,382 | 113,093,521 |
| Diluted earnings per share (in cents) | | 9.5 | 3.4 |

## 11. DIVIDENDS

The final and interim dividends paid in the year ended 30 June 2014 was $7,802k (7 cents per share). The final and interim dividends paid in the year ended 30 June 2013 was $4,171k (4 cents per share).

## 12. FINANCIAL INSTRUMENTS

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | LOANS AND RECEIVABLES $000's | DERIVATIVES USED FOR HEDGING $000's | TOTAL $000's | LOANS AND RECEIVABLES $000's | DERIVATIVES USED FOR HEDGING $000's | TOTAL $000's |
| **Financial instruments by category** | | | | | | |
| GROUP | | | | | | |
| Assets | | | | | | |
| Advance to joint venture | 7,512 | – | 7,512 | 7,078 | – | 7,078 |
| Cash and cash equivalents | 3,479 | – | 3,479 | 5,480 | – | 5,480 |
| Loan receivable | 1,452 | – | 1,452 | 1,371 | – | 1,371 |
| Trade and other receivables | 12,198 | – | 12,198 | 15,865 | – | 15,865 |
| Derivative financial instruments | – | 171 | 171 | – | 120 | 120 |
| PARENT | | | | | | |
| Assets | | | | | | |
| Advance to joint venture | 7,512 | – | 7,512 | 7,078 | – | 7,078 |
| Advances to subsidiary companies | 28,659 | – | 28,659 | 32,395 | – | 32,395 |
| Cash and cash equivalents | 274 | – | 274 | 747 | – | 747 |
| Loan receivable | 1,452 | – | 1,452 | 1,371 | – | 1,371 |
| Trade and other receivables | 5,362 | – | 5,362 | 5,086 | – | 5,086 |
| Derivative financial instruments | – | 171 | 171 | – | 120 | 120 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 12. FINANCIAL INSTRUMENTS CONTINUED

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | MEASURED AT AMORTISED COST $000's | DERIVATIVES FOR HEDGING $000's | TOTAL $000's | MEASURED AT AMORTISED COST $000's | DERIVATIVES FOR HEDGING $000's | TOTAL $000's |
| **GROUP** | | | | | | |
| **Liabilities** | | | | | | |
| Interest bearing loans and borrowings | 82,139 | – | 82,139 | 125,127 | – | 125,127 |
| Derivative financial instruments | – | 1,130 | 1,130 | – | 1,723 | 1,723 |
| Trade and other payables | 30,637 | – | 30,637 | 24,556 | – | 24,556 |
| **PARENT** | | | | | | |
| **Liabilities** | | | | | | |
| Interest bearing loans and borrowings | 52,789 | – | 52,789 | 84,354 | - | 84,354 |
| Derivative financial instruments | – | 1,130 | 1,130 | – | 1,723 | 1,723 |
| Trade and other payables | 21,258 | – | 21,258 | 8,025 | – | 8,025 |

## 13. FINANCIAL RISK MANAGEMENT

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.

Details of the significant accounting policies and methods adopted, including criteria for recognition and the basis of measurement are disclosed in the Statement of Accounting Policies (note 1).

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.

**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 local currency and on recognised assets or liabilities and net investments in foreign operations.

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

The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. This is managed primarily through borrowings denominated in the relevant foreign currencies.

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.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 13. FINANCIAL RISK MANAGEMENT CONTINUED

**Exchange rate sensitivity**

The following tables show 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 translation change has on reported net profit after tax and equity. A 5 cent change is considered a reasonable possible change based on prior year movements.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Post-tax impact on reported profit of: | | | | |
| A 5 cent increase in the NZ dollar vs the AU dollar | (62) | 77 | – | – |
| A 5 cent increase in the NZ dollar vs the US dollar | (235) | (220) | – | – |
| A 5 cent decrease in the NZ dollar vs the AU dollar | 69 | (87) | – | – |
| A 5 cent decrease in the NZ dollar vs the US dollar | 266 | 250 | – | – |

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Impact on equity of: | | | | |
| A 5 cent increase in the NZ dollar vs the AU dollar | (2,955) | (2,220) | – | – |
| A 5 cent increase in the NZ dollar vs the US dollar | (579) | (398) | – | – |
| A 5 cent decrease in the NZ dollar vs the AU dollar | 3,285 | 2,494 | – | – |
| A 5 cent decrease in the NZ dollar vs the US dollar | 648 | 452 | – | – |

**Interest rate risk**

The Group and Parent's interest rate risk primarily arises from long-term borrowings, cash and cash equivalents, advances to subsidiaries and the joint venture. Borrowings issued at variable rates expose the Group and Parent to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group and Parent to fair value interest rate risk.

The Group and Parent 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 and Parent raises long term borrowings at floating rates that are lower than those available if the Group and Parent borrowed at fixed rates directly.

Under the interest rate derivative contracts, the Group and Parent 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 and Parent maintains cash on overnight deposit in interest bearing bank accounts.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 13. FINANCIAL RISK MANAGEMENT CONTINUED

The following tables set out the interest rate repricing profile and current interest rate of the interest bearing financial assets and liabilities.

| AS AT 30 JUNE 2014 | EFFECTIVE INTEREST RATE | FLOATING $000's | FIXED UP TO 1 YEAR $000's | FIXED 1-2 YEARS $000's | FIXED 2-5 YEARS $000's | FIXED >5 YEARS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|---|
| GROUP | | | | | | | |
| **Assets** | | | | | | | |
| Advance to joint venture | 8.9% | 7,512 | – | – | – | – | 7,512 |
| Loan receivable | 6.3% | 1,452 | – | – | – | – | 1,452 |
| Cash and cash equivalents | 0.6% | 3,479 | – | – | – | – | 3,479 |
| | | 12,443 | – | – | – | – | 12,443 |
| **Liabilities** | | | | | | | |
| Bank borrowings* | 6.1% | 8,200 | 57,233 | – | – | – | 65,433 |
| Deferred consideration | 6.3% | 6,839 | – | – | – | – | 6,839 |
| Other loans | 3.1% | – | 2,788 | – | – | – | 2,788 |
| Capitalised lease obligations | 4.7% | – | 3,403 | 3,676 | – | – | 7,079 |
| | | 15,039 | 63,424 | 3,676 | – | – | 82,139 |
| Interest rate derivative contracts** | 4.8% | – | 4,000 | 7,587 | 17,733 | 12,000 | 41,320 |

The effective interest rate of group borrowings is 5.91% including the impact of the interest rate swaps and line fees on facilities.

| AS AT 30 JUNE 2014 | EFFECTIVE INTEREST RATE | FLOATING $000's | FIXED UP TO 1 YEAR $000's | FIXED 1-2 YEARS $000's | FIXED 2-5 YEARS $000's | FIXED >5 YEARS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|---|
| PARENT | | | | | | | |
| **Assets** | | | | | | | |
| Advance to joint venture | 8.9% | 7,512 | – | – | – | – | 7,512 |
| Advances to subsidiary companies | 5.9% | 28,659 | – | – | – | – | 28,659 |
| Loan receivable | 6.3% | 1,452 | – | – | – | – | 1,452 |
| Cash and cash equivalents | 0.3% | 274 | – | – | – | – | 274 |
| | | 37,897 | – | – | – | – | 37,897 |
| **Liabilities** | | | | | | | |
| Deferred consideration | 6.3% | 6,839 | – | – | – | – | 6,839 |
| Bank borrowings* | 7.1% | 8,200 | 37,750 | – | – | – | 45,950 |
| | | 15,039 | 37,750 | – | – | – | 52,789 |
| Interest rate derivative contracts** | 4.8% | – | 4,000 | 7,587 | 17,733 | 12,000 | 41,320 |

* Bank borrowing interest rates profile is shown prior to the impact of the interest rate swaps.

** Notional contract amounts.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 13. FINANCIAL RISK MANAGEMENT CONTINUED

| AS AT 30 JUNE 2013 | EFFECTIVE INTEREST RATE | FLOATING $000's | FIXED UP TO 1 YEAR $000's | FIXED 1-2 YEARS $000's | FIXED 2-5 YEARS $000's | FIXED >5 YEARS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|---|
| GROUP | | | | | | | |
| **Assets** | | | | | | | |
| Advance to joint venture | 7.9% | 7,078 | – | – | – | – | 7,078 |
| Loan receivable | 6.0% | 1,371 | – | – | – | – | 1,371 |
| Cash and cash equivalents | 1.2% | 5,480 | – | – | – | – | 5,480 |
| | | 13,929 | – | – | – | – | 13,929 |
| **Liabilities** | | | | | | | |
| Bank borrowings* | 5.7% | 29,605 | 77,230 | – | – | – | 106,835 |
| Deferred consideration | 5.6% | 7,769 | – | – | – | – | 7,769 |
| Vendor loans | 6.0% | – | 4,115 | – | – | – | 4,115 |
| Capitalised lease obligations | 5.9% | – | 3,441 | 2,967 | – | – | 6,408 |
| | | 37,374 | 84,786 | 2,967 | – | – | 125,127 |
| Interest rate derivative contracts** | 4.8% | – | – | 4,000 | 24,389 | 4,500 | 32,889 |

The effective interest rate of group borrowings is 5.74% including the impact of the interest rate swaps and line fees on facilities.

| AS AT 30 JUNE 2013 | EFFECTIVE INTEREST RATE | FLOATING $000's | FIXED UP TO 1 YEAR $000's | FIXED 1-2 YEARS $000's | FIXED 2-5 YEARS $000's | FIXED >5 YEARS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|---|
| PARENT | | | | | | | |
| **Assets** | | | | | | | |
| Advance to joint venture | 7.9% | 7,078 | – | – | – | – | 7,078 |
| Advances to subsidiary companies | 5.7% | 32,395 | – | – | – | – | 32,395 |
| Loan receivable | 6.0% | 1,371 | – | – | – | – | 1,371 |
| Cash and cash equivalents | 2.5% | 747 | – | – | – | – | 747 |
| | | 41,591 | – | – | – | – | 41,591 |
| **Liabilities** | | | | | | | |
| Deferred consideration | 5.6% | 7,769 | – | – | – | – | 7,769 |
| Bank borrowings* | 5.6% | 26,585 | 50,000 | – | – | – | 76,585 |
| | | 34,354 | 50,000 | – | – | – | 84,354 |
| Interest rate derivative contracts** | 4.8% | – | – | 4,000 | 24,389 | 4,500 | 32,889 |

* Bank borrowing interest rates profile is shown prior to the impact of the interest rate swaps.
** Notional contract amounts.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 13. FINANCIAL RISK MANAGEMENT CONTINUED

**Interest rate sensitivity**

At year end the floating bank borrowings and cash deposits were subject to interest rate sensitivity risk. The remaining borrowings are fixed using interest rate derivative contracts. If the Group's and Parent's floating borrowings and deposits year end balances remained the same throughout the year and interest rates moved by 1.0% then the impact on profitability and equity is as follows:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Pre tax impact of:** | | | | |
| An increase in interest rates of 1% | (231) | (763) | (85) | (508) |
| A decrease in interest rates of 1% | 231 | 763 | 85 | 508 |

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% 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 100% effective as at 30 June 2014 there is no impact on the profit and loss.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Post-tax impact on equity of a 1% move in interest rates** | | | | |
| An increase in interest rates of 1% across the yield curve | 1,211 | 780 | 1,211 | 780 |
| A decrease in interest rates of 1% across the yield curve | (1,261) | (806) | (1,261) | (806) |

**Credit risk**

The Parent and Group has a concentration of credit risk in respect of the advance to the joint venture. The Group has no other significant concentrations of credit risk. Policies are in place to ensure that wholesale sales of products 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:

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTE | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Bank balances | | 3,479 | 5,480 | 274 | 747 |
| Advances to joint venture | | 7,512 | 7,078 | 7,512 | 7,078 |
| Trade receivables (net of impairment provision) | | 7,555 | 11,647 | 4,141 | 4,025 |
| Other receivables | | 4,643 | 4,218 | 1,220 | 1,061 |
| Loan receivable | | 1,452 | 1,371 | 1,455 | 1,371 |
| | | 24,641 | 29,794 | 14,602 | 14,282 |
| **Trade receivable analysis** | | | | | |
| Debtors past due | | 2,220 | 4,689 | 862 | 2,877 |
| Impairment provision | | (91) | (241) | (31) | (161) |
| Debtors past due not impaired | | 2,129 | 4,448 | 831 | 2,716 |
| Debtors current | | 5,426 | 7,199 | 3,311 | 1,309 |
| Total trade debtors | 18 | 7,555 | 11,647 | 4,142 | 4,025 |

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 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.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 13. 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 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.

| AS AT 30 JUNE 2014 | UP TO 1 YEAR $000's | BETWEEN 1-2 YEARS $000's | BETWEEN 2-5 YEARS $000's | GREATER THAN 5 YEARS $000's | TOTAL $000's | CARRYING VALUE $000's |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| **Liabilities** | | | | | | |
| Trade and other payables | 30,637 | – | – | – | 30,637 | 30,637 |
| Bank borrowings | 7,445 | 2,893 | 66,216 | – | 76,554 | 65,433 |
| Deferred consideration | 5,139 | 120 | 1,939 | – | 7,198 | 6,839 |
| Vendor loans | 2,832 | – | – | – | 2,832 | 2,788 |
| Capitalised lease obligations | 3,647 | 3,742 | – | – | 7,389 | 7,079 |
| Interest rate derivative contracts * | 658 | 620 | 1,112 | 209 | 2,599 | 959 |
| | 50,358 | 7,375 | 69,267 | 209 | 127,209 | 113,735 |
| PARENT | | | | | | |
| **Liabilities** | | | | | | |
| Trade and other payables | 21,258 | – | – | – | 21,258 | 21,258 |
| Bank borrowings | 6,877 | 2,325 | 46,034 | – | 55,235 | 45,950 |
| Deferred consideration | 5,139 | 120 | 1,938 | – | 7,198 | 6,839 |
| Financial guarantees | 4,215 | 4,310 | 20,183 | – | 28,708 | 26,561 |
| Interest rate derivative contracts * | 658 | 620 | 1,112 | 209 | 2,599 | 959 |
| | 38,147 | 7,375 | 69,267 | 209 | 114,998 | 101,568 |

* The amounts expected to be payable on a net basis in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

| AS AT 30 JUNE 2013 | UP TO 1 YEAR $000's | BETWEEN 1-2 YEARS $000's | BETWEEN 2-5 YEARS $000's | GREATER THAN 5 YEARS $000's | TOTAL $000's | CARRYING VALUE $000's |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| **Liabilities** | | | | | | |
| Trade and other payables | 24,556 | – | – | – | 24,556 | 24,556 |
| Bank borrowings | 21,935 | 24,322 | 70,337 | – | 116,594 | 106,835 |
| Deferred consideration | 1,144 | 1,581 | 6,504 | – | 9,229 | 7,769 |
| Vendor loans | 4,136 | – | – | – | 4,136 | 4,115 |
| Capitalised lease obligations | 4,594 | 2,076 | – | – | 6,670 | 6,408 |
| Interest rate derivative contracts * | 710 | 710 | 1,411 | 145 | 2,976 | 1,603 |
| | 57,075 | 28,689 | 78,252 | 145 | 164,161 | 151,286 |
| PARENT | | | | | | |
| **Liabilities** | | | | | | |
| Trade and other payables | 8,025 | – | – | – | 8,025 | 8,025 |
| Bank borrowings | 21,935 | 21,082 | 39,560 | – | 82,577 | 76,585 |
| Deferred consideration | 1,144 | 1,581 | 6,504 | – | 9,229 | 7,769 |
| Financial guarantees | 4,594 | 5,316 | 30,777 | – | 40,687 | 36,658 |
| Interest rate derivative contracts * | 710 | 710 | 1,411 | 145 | 2,976 | 1,603 |
| | 36,408 | 28,689 | 78,252 | 145 | 143,494 | 130,640 |

* The amounts expected to be payable on a net basis in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 13. FINANCIAL RISK MANAGEMENT CONTINUED

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital. The Group considers capital to be share capital and interest bearing debt. To maintain or alter the capital structure the Group has the ability to review the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, reduce or increase debt or sell assets.

There are a number of externally imposed bank covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to banks quarterly. The most significant covenants relating to capital management are Net Interest Bearing Debt to EBITDA ratio, an equity to total assets ratio (net of intangible assets) and minimum shareholders' equity. There have been no breaches or events of review for the current or prior period.

**Seasonality**

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 2. 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 year end is not representative of all risks faced during the year.

**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.
- The fair value of other financial assets and liabilities are calculated using market-quoted rates based on discounted cash flow analysis.

Financial instruments of the Group that are measured in the statement of financial position at fair value are classified by level of 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 2013 and 30 June 2014 the Parent's and 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.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 13. FINANCIAL RISK MANAGEMENT CONTINUED

The methods used in determining fair value are as follows:

**(i) Derivative financial instruments**
The fair value of derivative financial instruments are 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.

No adjustment to fair value for counterparty credit risk has been allowed for on the based on the credit quality of the respective counterparties and materiality.

The fair values of the derivative financial instruments are disclosed in note 14.

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

- Interest rate forward price curve - Published market swap rates
- Foreign exchange forward prices - Published spot foreign exchange rates and interest rate differentials
- Discount rate for valuing interest rate derivatives - The discount rates used to value interest rate derivatives are published market interest rates as applicable to the remaining life of the instrument
- Discount rate for valuing forward foreign exchange contracts - The discount rates used to value interest rate derivatives are published market interest rates as applicable to the remaining life of the instrument

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.

**(ii) Recurring fair value measurement**
The following financial instruments are subject to recurring fair value measurements:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | ASSETS $000's | LIABILITIES $000's | ASSETS $000's | LIABILITIES $000's |
| Derivative financial instruments (Level 2) | 171 | 1,130 | 120 | 1,723 |

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

| | PARENT & GROUP | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | ASSETS $000's | LIABILITIES $000's | ASSETS $000's | LIABILITIES $000's |
| Current portion | 27 | – | – | – |
| Non-current portion | 144 | 1,130 | 120 | 1,723 |
| Interest rate derivative contracts – cash flow hedges | 171 | 1,130 | 120 | 1,723 |

Hedging derivatives are 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 maturity of the hedged item is less than 12 months.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges in 2014 amount to $Nil (2013: $Nil).

**Interest rate swaps**
The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2014 were $41,320k (2013: $32,889k).

At 30 June 2014, the fixed interest rates vary from 2.63% to 6.45% (2013: 2.63% to 6.45%).

The liquidity table in note 13 identifies the periods in which the cash flows are expected to occur. The periods in which the cash flows are expected to impact the profit or loss are materially the same.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 15. PROPERTY, PLANT AND EQUIPMENT

| | MOTORHOMES $000's | COACHES AND MOTOR VEHICLES $000's | LAND AND BUILDINGS $000's | OTHER PLANT AND EQUIPMENT $000's | CAPITAL WORK IN PROGRESS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|
| GROUP | | | | | | |
| YEAR ENDED 30 JUNE 2013 | | | | | | |
| Opening net book amount | 197,913 | 332 | 15,767 | 3,983 | 5,689 | 223,684 |
| Exchange differences | (4,601) | – | (123) | (82) | (1,222) | (6,028) |
| Reversal of impairment of assets | 888 | – | – | – | – | 888 |
| Transfer to assets held for sale | – | – | (210) | (663) | – | (873) |
| Additions | 118,323 | 26 | 1,359 | 1,457 | 15,977 | 137,142 |
| Disposals | (53,863) | – | (35) | (47) | (1,134) | (55,079) |
| Depreciation charge | (39,024) | (234) | (1,248) | (661) | – | (41,167) |
| Closing net book amount | 219,636 | 124 | 15,510 | 3,987 | 19,310 | 258,567 |
| AS AT 30 JUNE 2013 | | | | | | |
| Cost | 312,511 | 319 | 35,104 | 12,437 | 19,310 | 379,681 |
| Accumulated depreciation | (92,875) | (195) | (19,594) | (8,450) | – | (121,114) |
| Net book amount | 219,636 | 124 | 15,510 | 3,987 | 19,310 | 258,567 |
| **Reclassification of motorhomes to inventory at balance date** | | | | | | |
| Cost | 21,883 | – | – | – | – | 21,883 |
| Accumulated depreciation | (7,655) | – | – | – | – | (7,655) |
| Net book amount | 14,228 | – | – | – | – | 14,228 |
| Closing net book amount post reclassification | 205,408 | 124 | 15,510 | 3,987 | 19,310 | 244,339 |
| YEAR ENDED 30 JUNE 2014 | | | | | | |
| Opening net book amount | 219,636 | 124 | 15,510 | 3,987 | 19,310 | 258,567 |
| Exchange differences | (9,949) | (21) | (235) | (82) | (315) | (10,602) |
| Transfer from assets held for sale | – | – | 8,039 | – | – | 8,039 |
| Additions | 76,901 | 658 | 623 | 315 | (4,737) | 73,760 |
| Disposals | (51,437) | (28) | (1,058) | (143) | – | (52,666) |
| Depreciation charge | (33,090) | (342) | (1,443) | (953) | – | (35,828) |
| Closing net book amount | 202,061 | 391 | 21,436 | 3,124 | 14,258 | 241,270 |
| AS AT 30 JUNE 2014 | | | | | | |
| Cost | 288,464 | 838 | 32,302 | 11,722 | 14,258 | 347,584 |
| Accumulated depreciation | (86,403) | (447) | (10,866) | (8,598) | – | (106,314) |
| Net book amount | 202,061 | 391 | 21,436 | 3,124 | 14,258 | 241,270 |
| **Reclassification of motorhomes to inventory at balance date** | | | | | | |
| Cost | 21,351 | – | – | – | – | 21,351 |
| Accumulated depreciation | (9,038) | – | – | – | – | (9,038) |
| Net book amount | 12,313 | – | – | – | – | 12,313 |
| Closing net book amount post reclassification | 189,748 | 391 | 21,436 | 3,124 | 14,258 | 228,957 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 15. PROPERTY, PLANT AND EQUIPMENT CONTINUED

| | MOTORHOMES $000's | COACHES AND MOTOR VEHICLES $000's | LAND AND BUILDINGS $000's | OTHER PLANT AND EQUIPMENT $000's | CAPITAL WORK IN PROGRESS $000's | TOTAL $000's |
|---|---|---|---|---|---|---|
| PARENT | | | | | | |
| YEAR ENDED 30 JUNE 2013 | | | | | | |
| Opening net book amount | 79,070 | 1,444 | 13,992 | 2,999 | 1,390 | 98,895 |
| Reversal of impairment of assets | – | – | – | – | – | – |
| Transfer to assets held for sale | 361 | – | (209) | (502) | – | (350) |
| Additions | 66,103 | – | 358 | 1,019 | 10,653 | 78,133 |
| Disposals | (14,212) | (760) | (21) | (9) | – | (15,002) |
| Depreciation charge | (15,038) | (560) | (972) | (550) | – | (17,120) |
| Closing net book amount | 116,284 | 124 | 13,148 | 2,957 | 12,043 | 144,556 |
| AS AT 30 JUNE 2013 | | | | | | |
| Cost | 159,841 | 319 | 29,216 | 7,410 | 12,043 | 208,829 |
| Accumulated depreciation | (43,557) | (195) | (16,068) | (4,453) | – | (64,273) |
| Net book amount | 116,284 | 124 | 13,148 | 2,957 | 12,043 | 144,556 |
| **Reclassification of motorhomes to inventory at balance date** | | | | | | |
| Cost | 11,552 | – | – | – | – | 11,552 |
| Accumulated depreciation | (3,326) | – | – | – | – | (3,326) |
| Net book amount | 8,226 | – | – | – | – | 8,226 |
| Closing net book amount post reclassification | 108,058 | 124 | 13,148 | 2,957 | 12,043 | 136,330 |
| YEAR ENDED 30 JUNE 2014 | | | | | | |
| Opening net book amount | 116,284 | 124 | 13,148 | 2,957 | 12,043 | 144,556 |
| Reversal of impairment of assets | – | – | – | – | – | – |
| Transfer from assets held for sale | – | – | 8,039 | – | – | 8,039 |
| Additions | 32,323 | 310 | 556 | (10) | (807) | 32,372 |
| Disposals | (18,840) | (14) | (1,053) | (93) | – | (20,000) |
| Depreciation charge | (15,445) | (189) | (1,221) | (568) | – | (17,423) |
| Closing net book amount | 114,322 | 231 | 19,469 | 2,286 | 11,236 | 147,544 |
| AS AT 30 JUNE 2014 | | | | | | |
| Cost | 161,472 | 554 | 26,923 | 6,771 | 11,236 | 206,956 |
| Accumulated depreciation | (47,150) | (323) | (7,454) | (4,485) | – | (59,412) |
| Net book amount | 114,322 | 231 | 19,469 | 2,286 | 11,236 | 147,544 |
| **Reclassification of motorhomes to inventory at balance date** | | | | | | |
| Cost | 15,072 | – | – | – | – | 15,072 |
| Accumulated depreciation | (5,845) | – | – | – | – | (5,845) |
| Net book amount | 9,227 | – | – | – | – | 9,227 |
| Closing net book amount post reclassification | 105,095 | 231 | 19,469 | 2,286 | 11,236 | 138,317 |

The Group depreciation expense of $35,828k (2013: $41,167k) has been recognised within 'other operating expenses' in the income statement.

Capital Work in Progress of $14,258k (2013: $19,310k) has been included in the above closing net book amount.

Operating lease rentals amounting to $5,756k (2013: $7,587k ) relating to the lease of equipment, and property are included in the income statement.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 16. LEASED ASSETS IN PROPERTY, PLANT AND EQUIPMENT

Motorhomes include the following amounts where the Group is a lessee under a finance lease:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Cost | 9,787 | 9,250 |
| Accumulated depreciation | (1,635) | (1,991) |
| Net book amount | 8,152 | 7,259 |

Finance leases are taken out under a non-renewable contract with a 50% balloon on the final payment.

### 17. INTANGIBLE ASSETS

| | BRAND VALUE ACQUIRED $000's | GOODWILL $000's | TRADE MARKS, LEASES AND LICENCES $000's | OTHER INTANGIBLES $000's | TOTAL $000's |
|---|---|---|---|---|---|
| GROUP | | | | | |
| YEAR ENDED 30 JUNE 2013 | | | | | |
| Opening net book amount | 720 | 8,341 | 11,532 | 3,072 | 23,665 |
| Exchange differences | – | – | – | (4) | (4) |
| Additions from subsequent expenditure | – | – | 34 | 663 | 697 |
| Transfers | – | – | – | – | – |
| Disposal | – | – | (19) | – | (19) |
| Amortisation charge | – | – | (587) | (1,174) | (1,761) |
| Closing net book amount | 720 | 8,341 | 10,960 | 2,557 | 22,578 |
| AS AT 30 JUNE 2013 | | | | | |
| Cost | 720 | 54,639 | 22,743 | 13,937 | 92,039 |
| Accumulated amortisation and impairment | – | (46,298) | (11,783) | (11,380) | (69,461) |
| Net book amount | 720 | 8,341 | 10,960 | 2,557 | 22,578 |
| YEAR ENDED 30 JUNE 2014 | | | | | |
| Opening net book amount | 720 | 8,341 | 10,960 | 2,557 | 22,578 |
| Exchange differences | (92) | (651) | – | (10) | (753) |
| Additions from subsequent expenditure | – | 125 | – | 477 | 602 |
| Transfers | – | – | – | – | – |
| Disposal | – | – | – | – | – |
| Amortisation charge | – | – | (586) | (1,051) | (1,637) |
| Closing net book amount | 628 | 7,815 | 10,374 | 1,973 | 20,790 |
| AS AT 30 JUNE 2014 | | | | | |
| Cost | 628 | 54,113 | 22,744 | 14,326 | 91,811 |
| Accumulated amortisation and impairment | – | (46,298) | (12,370) | (12,353) | (71,021) |
| Net book amount | 628 | 7,815 | 10,374 | 1,973 | 20,790 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 17. INTANGIBLE ASSETS CONTINUED

| | BRAND VALUE ACQUIRED $000's | GOODWILL $000's | TRADE MARKS, LEASES AND LICENCES $000's | OTHER INTANGIBLES $000's | TOTAL $000's |
|---|---|---|---|---|---|
| PARENT | | | | | |
| **YEAR ENDED 30 JUNE 2013** | | | | | |
| Opening net book amount | – | 3,001 | 3,057 | 3,013 | 9,071 |
| Additions from subsequent expenditure | – | – | 34 | 502 | 536 |
| Disposal | – | – | (19) | – | (19) |
| Amortisation charge | – | – | (132) | (1,096) | (1,228) |
| Closing net book amount | – | 3,001 | 2,940 | 2,419 | 8,360 |
| **AS AT 30 JUNE 2013** | | | | | |
| Cost | – | 13,057 | 4,122 | 13,931 | 31,110 |
| Accumulated amortisation and impairment | – | (10,056) | (1,182) | (11,512) | (22,750) |
| Net book amount | – | 3,001 | 2,940 | 2,419 | 8,360 |
| **YEAR ENDED 30 JUNE 2014** | | | | | |
| Opening net book amount | – | 3,001 | 2,940 | 2,419 | 8,360 |
| Additions from subsequent expenditure | – | 125 | – | 475 | 600 |
| Disposal | – | – | – | – | – |
| Amortisation charge | – | – | (132) | (1,002) | (1,134) |
| Closing net book amount | – | 3,126 | 2,808 | 1,892 | 7,826 |
| **AS AT 30 JUNE 2014** | | | | | |
| Cost | – | 13,182 | 4,109 | 11,549 | 28,840 |
| Accumulated amortisation and impairment | – | (10,056) | (1,301) | (9,657) | (21,014) |
| Net book amount | – | 3,126 | 2,808 | 1,892 | 7,826 |

Amortisation of fixed term leases and licences is calculated using the straight line method over the life of the various licences. Tourism Holdings Limited has leased the Waitomo Glowworm Caves until 2027. The other caves have licences to operate with terms expiring in 2032, 2033 and 2039.

Software development costs recognised as intangible assets are amortised over their estimated useful lives of three to five years.

Under NZ IAS 38 Intangible Assets intangible assets with an indefinite useful life are not amortised. Instead such assets are tested for impairment under NZ IAS 36 Impairment of Assets by comparing the recoverable amount with the carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

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 flows for the entity.

The brand value acquired relates to the Road Bear brand of United States Rentals and was valued using the relief from royalty method. The brand value is included in the net assets of the cash generating units in the impairment test overleaf.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 17. INTANGIBLE ASSETS CONTINUED

The table below details the cash generating units goodwill is attributable to. Both of these cash generating units are profitable (see note 2).

| | | 2014 | |
|---|---|---|---|
| | RENTALS $000's | TOURISM GROUP $000's | TOTAL $000's |
| New Zealand | – | 3,126 | 3,126 |
| United States of America | 4,689 | – | 4,689 |
| | 4,689 | 3,126 | 7,815 |

| | | 2013 | |
|---|---|---|---|
| | RENTALS $000's | TOURISM GROUP $000's | TOTAL $000's |
| New Zealand | – | 3,001 | 3,001 |
| United States of America | 5,340 | – | 5,340 |
| | 5,340 | 3,001 | 8,341 |

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 tested using alternative valuation metrics, in particular EBIT multiples for similar industry groupings.

The divisional models used by Tourism Holdings Limited to generate the free cash flow projections incorporate the expected growth rates from markets the businesses operate in which are compared to Tourism Forecasting Council (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 3% unless additional specific information is known.

Key assumptions used for value-in-use calculations:

| **Rentals United States of America** | 2014 | 2013 |
|---|---|---|
| Growth rate (1) | 6% p.a. | 4% p.a. |
| Operating costs | 8% p.a. | 10% p.a. |
| Terminal growth rate | 2.0% | 2.0% |
| Discount rate (2) | 15.2% | 15.2% |

(1) Weighted average revenue growth rates used to extrapolate cash flows.
(2) Pre-tax discount rate applied to the cash flow projections.

| **Tourism Group New Zealand** | 2014 | 2013 |
|---|---|---|
| Growth rate (1) | 4% p.a. | 4% p.a. |
| Operating costs | 5% p.a. | 8% p.a. |
| Terminal growth rate | 2.0% | 2.0% |
| Discount rate (2) | 14.6% | 15.3% |

(1) Weighted average passenger growth rates used to extrapolate cash flows.
(2) Pre-tax discount rate applied to the cash flow projections.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 18. TRADE AND OTHER RECEIVABLES

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTE | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Trade receivables | | 7,646 | 11,888 | 4,173 | 4,186 |
| Less provision for impairment of receivables | | (91) | (241) | (31) | (161) |
| Trade receivables – net | | 7,555 | 11,647 | 4,142 | 4,025 |
| Prepayments | | 2,921 | 3,261 | 1,866 | 2,149 |
| Other receivables | | 4,643 | 4,218 | 1,220 | 1,061 |
| **Total trade and other receivables** | | 15,119 | 19,126 | 7,228 | 7,235 |
| **Provision for impairment of receivables** | | | | | |
| Opening balance | | 241 | 561 | 161 | 408 |
| Increase/(decrease) in provision for impairment of receivables | | (150) | (320) | (130) | (247) |
| Closing balance | | 91 | 241 | 31 | 161 |
| Trade receivables written off/(recovered) | 5 | (21) | 92 | – | 92 |

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The Group has recognised a decrease in the provision of $150k (2013: $320k decrease) for the impairment of its trade receivables which has been included in 'other operating expenses' in the income statement. The Group has a net recovery of $21k of previously written off trade receivables (2013: $92k write off).

## 19. INVENTORIES

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Raw materials | 2,298 | 2,601 | 495 | 458 |
| Rental assets for sale | 13,401 | 15,950 | 10,313 | 9,948 |
| Finished goods | 1,802 | 2,165 | 1,802 | 2,165 |
| Provision for obsolescence | (220) | (257) | (31) | – |
| | 17,281 | 20,459 | 12,579 | 12,571 |

## 20. ASSETS HELD FOR SALE

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Land and buildings | – | 8,039 | – | 8,039 |

The property at 155 Beach Road, Auckland was sold during the year at its recognised carrying value at 30 June 2013 of $950k. The property at 32 Kaimiro St, Hamilton has been reclassified from assets held for sale to property, plant and equipment as the Company looks to lease the property in preparation for a future sale.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 21. INVESTMENTS

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Subsidiary companies shares | – | – | 38,336 | 38,336 |

The principal activities of the Parent company and trading subsidiaries are motorhome rental and attractions. All subsidiaries are 100% owned and have 30 June balance dates except JJ Motorcars Inc. which has a 31 December balance date to facilitate US tax legislation compliance. Material subsidiary companies included in the Group Financial Statements at 30 June 2014 are:

| | Country of incorporation |
|---|---|
| THL Group Australia Pty Limited | Australia |
| Tourism Holdings Australia Pty Limited | Australia |
| Waitomo Caves Limited | New Zealand |
| JJ Motorcars Inc. | United States of America |

## 22. OTHER RESERVES

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Foreign currency translation reserve** | | | | |
| Balance at beginning of year | 3,927 | 7,510 | – | – |
| Currency translation differences | (5,169) | (3,583) | – | – |
| Transfer from retained earnings | (547) | – | – | – |
| | (1,789) | 3,927 | – | – |
| **Employee share scheme reserve** | | | | |
| Balance at beginning of year | 1,319 | 1,154 | 1,319 | 1,154 |
| Fair value movements charged to the income statement | 143 | 165 | 143 | 165 |
| Transfer to retained earnings | (925) | – | (925) | – |
| Transfer to share capital | (64) | – | (64) | – |
| | 473 | 1,319 | 473 | 1,319 |
| **Total other reserves** | (1,316) | 5,246 | 473 | 1,319 |

**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:

| | 2014 | 2013 |
|---|---|---|
| NZD/AUD | 0.9450 | 0.8609 |
| NZD/USD | 0.8966 | 0.7897 |

The $547k loss on translation of the Parent's net investment in THL Group Australia Pty Limited recognised in the year ended 30 June 2013 has been transferred to the foreign currency translation reserve in the year ended 30 June 2014.

**Employee share scheme reserve:**
The employee share scheme reserve is used to recognise the accumulated value of redeemable shares granted which have been recognised in the income statement. Amounts previously recorded within the employee share scheme reserve relating to redeemable shares that have lapsed were transferred to share capital and retained earnings in the year ended 30 June 2014 in accordance with the Group's accounting policy (note 1).

# Notes to the financial statements

*For the year ended 30 June 2014*

## 23. CASH FLOW HEDGE RESERVE

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Balance at beginning of year | (1,154) | (1,915) | (1,154) | (1,915) |
| Fair value gains/(losses) | 643 | 1,057 | 643 | 1,057 |
| Tax on fair value gains/(losses) | (180) | (296) | (180) | (296) |
| | (691) | (1,154) | (691) | (1,154) |

The cash flow hedge reserve is used to record gains or losses on hedging instruments that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

## 24. RETAINED EARNINGS

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Balance at beginning of year | 4,718 | 5,478 | 1,221 | 3,924 |
| Profit/(loss) for the year | 11,116 | 3,808 | 10,100 | 1,318 |
| Foreign currency loss on net investment | – | (547) | – | – |
| Transfer to foreign currency translation reserve | 547 | – | – | – |
| Dividends on ordinary shares | (7,802) | (4,021) | (7,802) | (4,021) |
| Transfer from employee share scheme reserve | 925 | - | 925 | – |
| | 9,504 | 4,718 | 4,444 | 1,221 |

## 25. SHARE CAPITAL

| | PARENT & GROUP | | PARENT & GROUP | |
|---|---|---|---|---|
| | 2014 SHARES (000's) | 2013 SHARES (000's) | 2014 $000's | 2013 $000's |
| **Ordinary shares** | | | | |
| Opening balance | 110,200 | 98,181 | 151,238 | 143,798 |
| Issue of ordinary shares – acquisition of KEA Camps and United Motorhomes assets | – | 12,019 | – | 7,440 |
| Issue of ordinary shares – redeemable ordinary shares converted | 1,542 | – | 964 | – |
| Transfer from employee share scheme reserve for redeemable shares converted | – | – | 64 | – |
| Issue of ordinary shares – in lieu of directors' fees | 61 | – | 71 | – |
| Ordinary shares to be issued– in lieu of directors' fees accrued at 30 June | – | – | 62 | – |
| Closing balance | 111,803 | 110,200 | 152,399 | 151,238 |

The total authorised number of ordinary shares is 111,802,556 shares (2013: 110,199,920). 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.

On 31 October 2012,12,019,197 ordinary shares were issued in part consideration for the acquisition of KEA Campers & United Motorhomes assets. There are 6,075,000 redeemable ordinary shares on issue that are convertible on a 1:1 basis to ordinary shares (2013: 6,900,000).
If these convert to ordinary shares per the terms outlined in note 26, total shares on issue will be 117,877,556 (2013: 117,099,920).

Redeemable ordinary shares were converted to ordinary shares in February 2014 (975,000) and March 2014 (566,667). In March 2014, 1,450,000 redeemable ordinary shares were issued. 400,000 redeemable ordinary shares were cancelled in February 2014 and 333,333 redeemable ordinary shares were cancelled in March 2014.

In March 2014 60,969 ordinary shares were issued to Directors in lieu of Directors Fees per the terms outlined in note 35 (ix).
At 30 June 2014 share capital increased for shares to be issued in lieu of Directors Fees due at 30 June 2014.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 26. SHARE-BASED PAYMENTS

In September 2006 a long term share scheme incentive was introduced for the Chief Executive and other senior executives. There are no redeemable shares outstanding under the 2006 scheme.

In the 2009 financial year a new long term share incentive scheme was introduced for the Chief Executive and other senior executives. 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. The issue price of the redeemable shares is set based on the volume weighted average price of Tourism Holdings Limited ordinary shares over the 10 days leading up to the issue date.
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 2 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. The cost of equity adjustment rate used was 13.25% from 2009, changing to 12.5% in 2012, 12.6% in 2013 and 13.2% for 2014.
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 on issue is 6 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 with a corresponding credit to the employee share scheme reserve.

Movements in Redeemable Shares under the 2009 scheme have been as follows:

| Year of issue | **2014** | 2013 | 2012 | 2011 | 2010 | 2009 | TOTAL |
|---|---|---|---|---|---|---|---|
| Issue price | **1.14** | 0.65 | 0.60 and 0.64 | 0.75 | 0.70 and 0.90 | 0.49 | |
| Paid to | **0.01** | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | |
| Shares issued | **1,450,000** | 1,850,000 | 2,650,000 | 200,000 | 1,200,000 | 1,900,000 | 9,250,000 |
| Forfeited | | | | | | | |
| 2011 | **–** | – | – | – | 100,000 | 200,000 | 300,000 |
| 2012 | **–** | – | 100,000 | – | 100,000 | 200,000 | 400,000 |
| 2013 | **–** | 200,000 | – | – | – | – | 200,000 |
| 2014 | **–** | 400,000 | 333,333 | – | – | – | 733,333 |
| | **–** | 600,000 | 433,333 | – | 200,000 | 400,000 | 1,633,333 |
| **Converted to ordinary shares** | | | | | | | |
| 2014 | **–** | 100,000 | 466,667 | – | – | 975,000 | 1,541,667 |
| Redeemable shares outstanding | **1,450,000** | 1,150,000 | 1,750,000 | 200,000 | 1,000,000 | 525,000 | 6,075,000 |

Movements in the number of redeemable shares outstanding and their related weighted average exercise prices are as follows:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **AVERAGE EXERCISE PRICE*** | **REDEEMABLE SHARES** | AVERAGE EXERCISE PRICE* | REDEEMABLE SHARES |
| At 1 July | **0.75** | **6,900,000** | 0.98 | 6,470,000 |
| Granted | **1.38** | **1,450,000** | 0.65 | 1,850,000 |
| Forfeited | **(0.71)** | **(733,333)** | (1.79) | (1,420,000) |
| Exercised | **0.62** | **(1,541,667)** | – | – |
| Expired | **–** | **–** | – | – |
| At 30 June | **0.92** | **6,075,000** | 0.75 | 6,900,000 |
| Convertible shares at 30 June | | **2,241,667** | | 2,233,333 |

1,541,667 redeemable shares were converted to ordinary shares in the year to June 2014 which resulted in 1,541,667 ordinary shares being issued (2013: Nil) at a weighted average price of $0.62 per share (2013: Nil). 733,000 shares were forfeited as a result of Executives leaving the business (2013: 1,420,000).

*Exercise price is issue price, less 1 cent paid, less dividends paid for two years, plus a cost of capital adjustment for two years.

# Notes to the financial statements

*For the year ended 30 June 2014*

## 26. SHARE BASED PAYMENTS CONTINUED

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

Redeemable shares

| Expiry date | EXERCISE PRICE* | 2014 | 2013 |
|---|---|---|---|
| June 2015 | 0.57 | **525,000** | 1,500,000 |
| October 2015 | 0.84 | **200,000** | 200,000 |
| May 2016 | 1.09 | **800,000** | 800,000 |
| December 2016 | 0.90 | **200,000** | 200,000 |
| September 2017 | 0.69 | **600,000** | 900,000 |
| March 2018 | 0.71 | **1,150,000** | 1,650,000 |
| March 2019 | 0.71 | **1,150,000** | 1,650,000 |
| March 2020 | 1.38 | **1,450,000** | – |
| Redeemable shares outstanding | | **6,075,000** | 6,900,000 |
| Valuation of redeemable shares | | **812,050** | 755,450 |

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 2014 expense of $143k (2013: $165k) will accumulate in the executive 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:

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| Issue price | **$1.14** | $0.65 | $0.60 and $0.64 | $0.75 | $0.90 and $0.70 | $0.49 |
| Forecast dividend yield over the life of the transfer rights | **6.0%** | 6.3% | 3% and 6% | 3.0% | 3.0% | 3.0% |
| Risk free rate of interest over the exercise period of the share transfer rights | **4.63%** | 3.80% | 4.68% and 3.89% | 5.15% | 5.15% | 4.14% |
| Volatility of Tourism Holdings Limited share price returns mid point | **32.5%** | 29% | 35% and 28% | 35% | 35% | 25% |
| Cost of capital adjustment | **13.20%pa** | 12.60%pa | 13.25% and 12.50%pa | 13.25%pa | 13.25%pa | 13.25%pa |

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.

*Exercise price issue price, less 1 cent paid, less dividends paid for two years, plus a cost of capital adjustment for two years.

## 27. TRADE AND OTHER PAYABLES

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Trade payables | **13,772** | 7,060 | **11,780** | 1,494 |
| Accrued expenses and other payables | **16,865** | 17,496 | **9,478** | 6,531 |
| | **30,637** | 24,556 | **21,258** | 8,025 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 28. BORROWINGS

| | | GROUP | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Non-current** | | | | | |
| Bank borrowings | | 61,033 | 84,900 | 41,550 | 54,650 |
| Deferred consideration | 31 | 1,898 | 6,625 | 1,898 | 6,625 |
| Capitalised lease obligations | | 3,676 | 2,049 | – | – |
| | | 66,607 | 93,574 | 43,448 | 61,275 |
| **Current** | | | | | |
| Bank borrowings | | 4,400 | 21,935 | 4,400 | 21,935 |
| Deferred consideration | 31 | 4,941 | 1,144 | 4,941 | 1,144 |
| Vendor loans | | 2,788 | 4,115 | – | – |
| Capitalised lease obligations | | 3,403 | 4,359 | – | – |
| | | 15,532 | 31,553 | 9,341 | 23,079 |
| **Total borrowings** | | 82,139 | 125,127 | 52,789 | 84,354 |
| **Maturity of non-current portion** | | | | | |
| Bank loans | | | | | |
| One to two years | | – | 22,670 | – | 19,650 |
| Two to three years | | 5,300 | 62,230 | 5,300 | 35,000 |
| Three to five years | | 55,733 | – | 36,250 | – |
| | | 61,033 | 84,900 | 41,550 | 54,650 |
| Other loans | | | | | |
| One to two years | | – | 1,144 | – | 1,144 |
| Two to three years | | 1,898 | – | 1,898 | – |
| Three to five years | | – | 5,481 | – | 5,481 |
| | | 1,898 | 6,625 | 1,898 | 6,625 |
| Capitalised finance lease obligations | | | | | |
| One to two years | | 3,676 | 2,049 | – | – |
| Two to three years | | – | – | – | – |
| Three to five years | | – | – | – | – |
| | | 3,676 | 2,049 | – | – |

| | 2014 $000's | 2013 $000's |
|---|---|---|
| **Capitalised finance lease liabilities – minimum lease payments:** | | |
| No later than 1 year | 3,647 | 4,594 |
| Later than 1 year and no later than 5 years | 3,742 | 2,076 |
| | 7,389 | 6,670 |
| Future finance charges on finance leases | (310) | (262) |
| Present value of finance lease liabilities | 7,079 | 6,408 |

An Australian subsidiary has commercial hire purchase loans secured over its campervan fleet. These loans are repayable over a one to two year periods.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 28. BORROWINGS CONTINUED

Interest rates applicable at 30 June 2014 on the bank term loans, the deferred consideration and the Australian capitalised lease obligations ranged from 2.77% to 6.33%p.a. (2013: 2.87% to 6.45%p.a.).

The Group has other loans repayable to the vendors of JJ Motorcars Inc. (trading as Road Bear) that Tourism Holdings Limited acquired on 31 December 2010. These loans are repayable within 12 months at a fixed interest rate of 3.1%. These loans are secured by way of liens over specific Road Bear motorhome fleet.

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 Westpac Banking Corporation, Westpac New Zealand Limited and ANZ Banking Group (New Zealand) Limited and has provided a composite first ranking debenture over the assets and undertakings of the Group in New Zealand and in Australia.

The facilities are split into Term Facilities and Working Capital Facilities with annual review and subject to covenant compliance extended annually. The renewal of all of the facilities, excluding the Interchangeable Working Capital Facility occurred in June 2014.

Included in the Working Capital facilities is a facility that 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 RV Manufacturing Group LP. This facility is reviewed annually on 1 November.

Current expiry dates are:

| | |
|---|---|
| Interchangeable Working Capital Facility | 1 November 2014 |
| Other Working Capital Facilities | 6 October 2016 |
| Term Facilities | 6 October 2017 & 1 July 2019 |

The facilities cannot be called for repayment by the banks at a date earlier than the facilities expiry date above unless there is a breach of the bank covenants. There have been no breaches of bank covenants during the current or prior period.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | 2014 NZ$000's | 2013 NZ$000's |
|---|---|---|
| New Zealand dollar | **52,789** | 84,354 |
| Australian dollar | **12,899** | 16,397 |
| United States American dollar | **16,451** | 24,376 |
| | **82,139** | 125,127 |

The Group has the following undrawn borrowing facilities:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Floating rate: | | |
| – Expiring within one year | **9,853** | 3,065 |
| – Expiring beyond one year | **20,893** | 9,227 |
| | **30,746** | 12,292 |

No borrowing costs were capitalised in 2014 (2013: nil).

# Notes to the financial statements

*For the year ended 30 June 2014*

## 29. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when 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:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Deferred tax (asset)/liabilities:** | | | | |
| – Deferred tax liability to be met after more than 12 months | 6,812 | 3,299 | 4,433 | 1,166 |
| – Deferred tax liability to be met within 12 months | 204 | 399 | – | – |
| – Deferred tax asset to be realised within 12 months | (767) | – | (228) | – |
| Net deferred tax liability | 6,249 | 3,698 | 4,205 | 1,166 |

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

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Beginning of the year | 3,698 | 4,528 | 1,166 | 950 |
| Income statement charge | (1,216) | 436 | (7) | 768 |
| Prior period adjustment | 296 | (825) | 296 | (608) |
| Tax credits | (5) | (240) | (7) | (240) |
| Tax losses | 3,296 | (497) | 2,577 | – |
| Tax charged to equity | 180 | 296 | 180 | 296 |
| End of the year | 6,249 | 3,698 | 4,205 | 1,166 |
| Comprised of: | | | | |
| Future tax benefit | (5,801) | (8,153) | (1,675) | (4,175) |
| Deferred tax liability | 12,050 | 11,851 | 5,880 | 5,341 |
| Net deferred tax liability | 6,249 | 3,698 | 4,205 | 1,166 |

The balance comprises temporary differences attributable to:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| **Amounts recognised in income statement** | | | | |
| Provisions | (1,904) | (1,274) | (1,159) | (1,092) |
| Property, plant and equipment | 11,541 | 11,362 | 5,880 | 5,341 |
| Tax losses | (3,077) | (6,190) | – | (2,394) |
| Tax credits | (248) | (241) | (248) | (240) |
| Other | 205 | 490 | – | – |
| **Amounts recognised directly in equity** | | | | |
| Derivative financial instruments | (268) | (449) | (268) | (449) |
| Net deferred tax liability | 6,249 | 3,698 | 4,205 | 1,166 |

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

# Notes to the financial statements

*For the year ended 30 June 2014*

## 30. IMPUTATION CREDIT ACCOUNT

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Imputation credits available for use in subsequent periods based on a tax rate of 28% (2013: 28%) | – | 3,002 | – | 2,312 |

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.

## 31. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

No businesses were acquired during the year ended 30 June 2014.

On 31 October 2012 ***thl*** acquired certain rental assets and liabilities of KEA Campers (Alpine Bird (New Zealand) Limited) and United Campervans (Hauraki Motor Homes Limited) and merged them into the New Zealand ***thl*** rentals motorhome business segment. ***thl*** did not acquire the legal entities.

The acquisition was undertaken to reduce operating costs by combining facilities, reducing back office costs and to reduce the number of motorhomes in the New Zealand market over time to better match supply with demand.

To fund the acquisition ***thl*** issued 12,019,197 shares at a price of 0.619 cents per share which totalled $7,440k. Deferred consideration of $7,959k is payable provided that the resale prices of the KEA and United fleet achieve agreed figures when sold. The balance of the purchase price was paid in cash to pay-out the vendors' external loan obligations, shareholder loans, a portion of shareholder equity and other commitments. The cash payment portion of the consideration was funded by ***thl*** increasing its bank term facilities by $50m and use of cash on hand.

The deferred consideration agreements with the vendors have the following key terms:

(i) The deferred consideration is repayable on the sale of used motorhomes providing specified resale values are achieved;
(ii) Any excess achieved in the resale value above the specified resale value in the deferred consideration agreement for each vehicle is payable to the vendors. If the resale value does not achieve the specified resale value then the deficit is deducted off the deferred consideration balance due;
(iii) ***thl*** will retain any payments due under the deferred consideration agreement if the value of the deferred consideration outstanding is less than 15% of the outstanding book value of the fleet as specified in the deferred consideration agreement; and
(iv) Interest is payable on the deferred consideration balance based on bank bill rate plus a margin.

It is expected that the full value of the deferred consideration will be paid out to the vendors over a period of up to four years from 2012 unless ***thl*** elects to repay early. Any adjustments to the estimate of deferred consideration will be recognised in the income statement in the reporting period in which it arises. The outstanding balance of deferred consideration is detailed in note 35 (Related party transactions).

The following table summarises the consideration paid for these businesses and the amounts of the assets and liabilities assumed recognised at the acquisition date.

| | UNITED $000's | KEA $000's | TOTAL $000's |
|---|---|---|---|
| **Consideration** | | | |
| AS AT 31 OCTOBER 2012 | | | |
| Cash | 24,994 | 26,684 | 51,678 |
| Deferred consideration vendor loans | 5,959 | 2,000 | 7,959 |
| Equity shares issued | 3,989 | 3,451 | 7,440 |
| Total consideration transferred | 34,942 | 32,135 | 67,077 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 31. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS CONTINUED

| | ACQUIRER'S CARRYING VALUE AND FAIR VALUE | | |
|---|---|---|---|
| | UNITED $000's | KEA $000's | TOTAL $000's |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | | | |
| Motorhome rental units | 35,730 | 33,347 | 69,077 |
| Plant and equipment | 157 | 422 | 579 |
| Other assets | – | 175 | 175 |
| Revenue in advance and deposits held | (880) | (1,668) | (2,548) |
| Employee benefits | (65) | (141) | (206) |
| Total net assets acquired | 34,942 | 32,135 | 67,077 |

| | $000's |
|---|---|
| Acquisition-related costs (included in expenses in the consolidated income statement for the period ended 30 June 2013) | 1,405 |

It is impractical to disclose the revenue and profit and loss impact of the transaction due to the immediate merger of the three businesses post completion and the flow of revenue between brands in periods of high utilisation.

## 32. JOINT VENTURE – RV MANUFACTURING GROUP LP (RVMG)

***thl*** is a 50% joint venture partner in RVMG, a vehicle manufacturer based in New Zealand. The other 50% partner is Alpine Bird Manufacturing Limited, which is owned by Grant Brady.

**Analysis of the Group's 50% share of RVMG**

The following amounts represent the Group's 50% share of the sales and results, and assets and liabilities of RVMG:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Income | 19,709 | 15,193 |
| Expenses | (18,663) | (16,561) |
| Profit/(loss) before income tax | 1,046 | (1,368) |
| **Assets** | | |
| Non-current assets | 1,419 | 2,036 |
| Current assets | 8,445 | 3,994 |
| | 9,864 | 6,030 |
| **Liabilities** | | |
| Non-current liabilities including limited partner advances | 7,105 | 5,910 |
| Current liabilities | 5,049 | 3,205 |
| | 12,154 | 9,115 |
| **Net assets/(liabilities)** | (2,290) | (3,085) |

There are no contingent liabilities relating to the Group's interest in RVMG, and no contingent liabilities in the venture itself. The Group's 50% share of the contractual property lease commitment is $2,843,000.

# Notes to the financial statements

*For the year ended 30 June 2014*

### 32. JOINT VENTURE – RV MANUFACTURING GROUP LP (RVMG) CONTINUED

**The Group's recognised interest in RVMG**

The following table sets out the Parent's and Group's interest in RVMG:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Investment in RVMG | 250 | 250 |
| Losses recognised against the investment balance | (250) | (250) |
| Net investment recognised | – | – |
| | | |
| Advance opening balance | 10,169 | 10,955 |
| Net cash advances/(repayment) during the period | (612) | (786) |
| Advance closing balance | 9,557 | 10,169 |
| | | |
| Opening losses/impairment recognised against the advance | (3,091) | (1,723) |
| Share of profit (loss/impairment) for the period | 1,046 | (1,368) |
| Total losses/impairment recognised against the advance | (2,045) | (3,091) |
| Net interest in RVMG | 7,512 | 7,078 |

The advances from the Group are payable on demand but the directors do not expect full repayment in the next 12 months, therefore only $2.5m is presented as a current asset as at 30 June 2014 (2013: nil). Interest is payable at a rate of 8.9% per annum.

In the Parent, the share of profit recognised represents a reduction in the impairment of the investment and the advances. The impairments recognised against the advance represent the share of prior year accumulated losses of RVMG. The remaining balance of the advance is deemed by the Parent to be recoverable based on RVMG's forecast profitability.

### 33. CONTINGENCIES

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities.

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Guarantees given in relation to borrowings of subsidiary companies | – | – | 26,561 | 36,658 |
| Performance and Guarantee bonds | – | 702 | – | 702 |
| | – | 702 | 26,561 | 37,360 |

As at June 2013 Tourism Holdings Limited had a contingent liability of up to $702k in respect of the sale of a business in a prior year. This matter has now been settled and there is no contingent liability as at June 2014.

### 34. COMMITMENTS

**Capital commitments**

Capital expenditure contracted for at balance date but not yet incurred is as follows:

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | 2014 $000's | 2013 $000's | 2014 $000's | 2013 $000's |
| Property, plant and equipment | 25,034 | 31,312 | 16,413 | 19,499 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 34. COMMITMENTS CONTINUED

**Operating lease commitments – where a group company is the lessee**

The Group leases various retail outlets, branches and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

| | GROUP | | PARENT | |
|---|---|---|---|---|
| | **2014 $000's** | 2013 $000's | **2014 $000's** | 2013 $000's |
| Within one year | **5,315** | 5,931 | **2,148** | 2,592 |
| One to five years | **17,219** | 16,015 | **7,547** | 6,186 |
| Beyond five years | **11,465** | 10,000 | **4,781** | 4,318 |
| | **33,999** | 31,946 | **14,476** | 13,096 |

**Commitment under Documentary Letter of Credit**

As at 30 June 2014 the Group has commitments of $5,746,399 under a Documentary Letter of Credit facility.

The outstanding documents are in favour of RVMG LP and are due for payment within 12 months. This commitment is recognised within 'trade and other payables' (note 27).

## 35. RELATED PARTY TRANSACTIONS

Tourism Holdings Limited is the parent and ultimate controlling party of the Group.
All members of the Group are considered to be related parties of Tourism Holdings Limited including subsidiaries and the joint venture.

The following transactions were carried out between the parent and related parties:

| | **2014 $000's** | 2013 $000's |
|---|---|---|
| **i) Sales of goods and services** | | |
| Subsidiaries | **7,086** | 5,699 |
| **ii) Purchases of goods and services** | | |
| Subsidiaries | **2,341** | 3,159 |
| **iii) Bad debt write off of a subsidiary receivable** | | |
| THL Oz Pty Limited | **704** | 740 |
| **iv) Key management compensation** | | |
| Salaries and other short term employee benefits | **3,475** | 2,815 |
| Share based payments benefits | **143** | 165 |
| Executive management do not receive any directors' fees as directors of subsidiary companies. | | |
| **v) Year end balances arising from sales/purchases of goods/services** | | |
| Advances to subsidiaries | | |
| THL Oz Pty Limited | **11,391** | 11,391 |
| THL Group Australia Pty Limited and its subsidiaries | **9,368** | 12,613 |
| Waitomo Caves Limited | **7,640** | 8,128 |
| Waitomo Caves Holdings Limited | **179** | 185 |
| JJ Motorcars | **81** | 78 |
| Net advances to subsidiaries | **28,659** | 32,395 |

Interest is charged at market rates on trading accounts between the Parent and Australian subsidiaries and all advances are repayable on demand.

| | **2014 $000's** | 2013 $000's |
|---|---|---|
| Interest charged on the balances with related parties | | |
| THL Oz Pty Limited | **704** | 740 |
| Tourism Holdings Australia Pty Limited | **765** | 605 |
| | **1,469** | 1,345 |

The effective interest rates on loans to related parties were as follows:

| | **2014** | 2013 |
|---|---|---|
| Loans to related parties | **5.9%** | 5.7% |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 35. RELATED PARTY TRANSACTIONS CONTINUED

| | 2014 $000's | 2013 $000's |
|---|---|---|
| **vi) Lease costs from subsidiaries** | | |
| The Parent incurred lease costs as follows: | | |
| Waitomo Caves Limited | 488 | 488 |

**vii) Loans to directors and key management of the Company**

There were no loans during the current or previous year by the Group to Directors or key management with the exception of the loan to Alpine Bird (New Zealand) Limited, a business associated with Grant Brady (note 35 (xi)).

**viii) Loans from directors, key management or related parties**

| | 2014 | 2013 |
|---|---|---|
| Loans from key management personnel | 2,788 | 3,166 |

Loan provided as part of the acquisition of JJ Motorcars Inc. in the USA (trading as Road Bear) to fund fleet. The loan, which is repayable within 12 months, has a fixed interest rate of 3.1% pa and is secured by way of liens over specific Road Bear motorhome fleet.

**ix) Directors' fees (share issue 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. From 1 October 2013, Rob Campbell has elected to receive 100% of his director fee in shares and Graeme Wong has elected to receive 33% of his director fee in shares. From 1 February 2014 Christina Domencq has elected to receive 100% of her director fee in shares. On 28 March 2014, the Company issued 60,969 shares at a value of $71k to Rob Campbell and Graeme Wong as part of their remuneration for the six months ended 31 March 2014. In the period ended 30 June 2014 share capital increased by $62k reflecting shares to be issued to the above named directors.

**x) Kay Howe (Non-executive Director)**

As part of the transaction with KEA Campers and United Campervans (refer note 31), Kay Howe (a shareholder and director of United Vehicle Rentals Limited which was later renamed Hauraki Motor Homes Limited) was appointed as an executive director of ***thl*** on 31 October 2012. Kay Howe had executive responsibilities relating to the integration of the businesses until 30 April 2013 at which point she became a non-independent director.

Under the terms of the transaction, ***thl*** has a liability to pay deferred consideration to Hauraki Motor Homes Limited in accordance with the deferred consideration agreement. The table below details the total deferred consideration liability to Hauraki Motor Homes Limited and the amount due and payable based on sales of United motorhomes:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Total deferred consideration liability | 4,941 | 5,710 |
| Deferred consideration due & payable to Hauraki Motor Homes Limited (based on United motorhomes sales) | 380 | 270 |
| Interest included in deferred consideration due & payable | 27 | 54 |

***thl*** intends under the terms of the deferred consideration agreement to repay the remaining deferred consideration balance with Hauraki Motor Homes Limited within 12 months.

Also included in the terms of the transaction was a requirement for ***thl*** to pay rent and other operating expenses for two properties for a maximum of 12 months. The properties were formerly operated by United and were owned by Hauraki Enterprises Limited (of which Kay Howe is a shareholder and director). ***thl***'s obligation has now ceased. The cost of the sub-licenses and operating expenses to ***thl*** is set out below:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Cost of sub-licenses and operating expenses | – | 232 |
| Other operating expenses | – | 37 |

A minor component of the transaction included certain transactions with Supreme Motorhomes Limited (Supreme) relating to the sale of caravan brands from ***thl*** and the acquisition of Intellectual Property and moulds by RVMG LP relating to the construction of United Motorhomes. Supreme is owned by entities associated with Kay Howe.

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Payments to Supreme including purchase of motorhomes and caravans | 378 | 1,217 |

# Notes to the financial statements

*For the year ended 30 June 2014*

## 35. RELATED PARTY TRANSACTIONS CONTINUED

**xi) Grant Brady (shareholder and director of Alpine Bird (New Zealand) Limited)**

As part of the transaction with KEA Campers and United Campervans (refer note 31), Grant Brady (a shareholder and director of KEA Campers (New Zealand) Limited which was later renamed Alpine Bird (New Zealand) Limited ("Alpine Bird")) was appointed as the General Manager of RV Super Centre in New Zealand on the 31 October 2012. Grant Brady is a member of the ***thl*** executive team. Grant Brady is paid a salary by ***thl*** for his role on the ***thl*** executive team and by RVMG as Managing Director of RVMG.

Under the terms of the transaction, ***thl*** has a liability to pay deferred consideration to Alpine Bird in accordance with the deferred consideration agreement. As part of the deferred consideration agreement no deferred consideration amounts are payable at this time. Interest and excess proceeds are added to the balance due. The table below details the total deferred consideration liability to Alpine Bird and the amount due and payable based on sales of KEA motorhomes:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Total deferred consideration owing | 1,898 | 2,058 |
| Deferred consideration due & payable to Alpine Bird (based on KEA motorhomes sales) | – | – |

Also included in the terms of the transaction was a requirement for ***thl*** to take a sublease on a property in Bush Road and pay rent and other operating expenses for a maximum of 2 years and 364 days. The property was formerly operated by KEA and is owned by Bush Road Enterprises Limited (of which Grant Brady is a minority shareholder and director). The cost of the sublease and operating expenses are set out in the table below:

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Cost of sub-licenses and operating expenses | 497 | 328 |

Under the terms of the transaction ***thl*** made an advance of $1,371k to Alpine Bird. This loan is interest bearing at commercial rates and is secured over the deferred consideration amount due to Alpine Bird and the shares held by Alpine Bird in ***thl***. Interest is accruing on the loan.

| | 2014 $000's | 2013 $000's |
|---|---|---|
| Alpine Bird Loan | 1,452 | 1,371 |

| | 2014 $000's | 2013 $000's |
|---|---|---|
| **xii) RVMG LP** | | |
| Purchase of motorhomes by the Group from joint venture | 26,747 | 14,970 |
| Interest charged to joint venture | 830 | 535 |
| Net interest in RVMG LP (note 32) | 7,512 | 7,078 |

The amount outstanding is payable on demand at an interest rate of 8.9%.

Grant Brady is a shareholder in another entity Alpine Bird Manufacturing Limited that owns 50% of RVMG Limited Partnership ("RVMG") that was set up in March 2012. ***thl*** owns the other 50%. RVMG manufactures the motorhomes and campervans used by Rentals New Zealand, manufactures motorhomes and parts for Rentals Australia, and manufacturing specialty vehicles for external customers. Pricing is based on the cost of manufacture plus an agreed margin set out in the Limited Partnership agreement. RVMG also sublease part of the Bush Road property described above.

At balance date $5,746k is outstanding under a Documentary Letter of Credit in favour of RVMG LP. This amount is included in the purchase of motorhomes shown above, and the outstanding amount is included in 'trade and other payables'.

| | 2014 $000's | 2013 $000's |
|---|---|---|
| **xiii) Dividends received from subsidiaries** | | |
| THL Group Australia Pty Limited | 4,266 | – |

## 36. DISPOSAL GROUPS

The Group had no discontinued operations during the year ended 30 June 2014 or the prior comparative period.

## 37. EVENTS AFTER THE REPORTING PERIOD

A dividend was declared after balance date at 6 cents per share payable on 23 October 2014.

# Independent Auditors' Report

*To the shareholders of Tourism Holdings Limited for the year ended 30 June 2014*

pwc

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tourism Holdings Limited ("the Company") on pages 3 to 47, which comprise the statements of financial position as at 30 June 2014, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in Tourism Holdings Limited or any of its subsidiaries other than in our capacities as auditors and providers of other advisory services. These services have not impaired our independence as auditors of the Company and Group.

### OPINION

In our opinion, the financial statements on pages 3 to 47:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

## RESTRICTION ON DISTRIBUTION OR USE

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants　　Auckland
25 August 2014

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# Statutory information

*For the year ended 30 June 2014*

## CORPORATE GOVERNANCE

Tourism Holdings Limited ('***thl***') operates under a set of corporate governance principles designed to ensure that ***thl*** is effectively managed. ***thl***'s corporate governance principles do not materially differ from the NZX Corporate Governance Best Practice Code.

### ROLE 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 adopted by ***thl***, include the following:

- Oversight of ***thl***, including its control and accountability procedures and systems;
- Appointment, 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 and approval of the remuneration of the senior executive group;
- Approval 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; and
- Approval of the annual and half-year financial statements.

### BOARD COMPOSITION

The Board of Directors currently comprises six directors, all of whom are non-executive directors.

The policy for appointment and retirement of directors is contained within ***thl***'s constitution. At each annual meeting, one-third of the directors shall retire by rotation. Graeme Wong and Kay Howe retire by rotation at the 2014 Annual Meeting and, being eligible, offer themselves for re-election.

Christina Domecq was appointed after the 2013 Annual Meeting, therefore, she will retire at the 2014 Annual Meeting and, being eligible, offers herself for election.

The New Zealand Stock Exchange has determined that a component of good corporate governance is the identification of independent directors. As at 30 June 2014, being the balance date, the following directors are independent within the meaning of the NZX listing rules:

| | |
|---|---|
| Rob Campbell | Chairman & Chair Market Disclosure Committee |
| Graeme Bowker | Chair Audit & Risk Committee |
| Graeme Wong | Chair Remuneration & Nomination Committee |
| Christina Domecq | Chair Marketing & Customer Experience Committee |

Kay Howe and David Neidhart are not independent within the meaning of the NZX listing rules.

As at 30 June 2014, being the balance date, the Board of ***thl*** comprised two female directors and four male directors, compared to one female director and five male directors at 30 June 2013. As at 30 June 2014 the senior management of ***thl*** comprised three female employees and eight male employees, compared to three female employees and seven male employees at 30 June 2013.

### CORPORATE GOVERNANCE FRAMEWORK

The Board is committed to continued development of ***thl***'s corporate governance practices. The Board continues to review and develop 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***, the Board Charter, a Code of Ethics, and various policies including a Delegated Authority Policy, Market Disclosure Policy and Securities Trading Policy.

The Board introduced two new standing committees in 2014; the Market Disclosure Committee and the Marketing and Customer Experience Committee. There are now four standing committees described as below. The performance of the standing committees is reviewed annually against written charters.

***thl***'s corporate governance policies and charters are available on its website at www.thlonline.com

# Statutory information

*For the year ended 30 June 2014*

## AUDIT & RISK COMMITTEE

The Audit & Risk Committee is comprised solely of non-executive directors of the Board and shall include not less than three independent non-executive directors.

The Committee meets a minimum of three times each year. The Audit & Risk Committee has oversight of, and assists the Board to fulfil its responsibilities in the areas of Financial Reporting, Audit Functions, and Risk Management and Control.

The current composition of the Audit & Risk Committee is Graeme Bowker (Chairman), Rob Campbell, and Graeme Wong. Also in attendance by invitation are Kay Howe, David Neidhart, Christina Domecq, Grant Webster (Chief Executive Officer) and Mark Davis (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 Graeme Wong (Chairman), Kay Howe, Rob Campbell, Graeme Bowker and David Neidhart. Also in attendance by invitation are Christina Domecq and Grant Webster (Chief Executive Officer).

## MARKET DISCLOSURE COMMITTEE

The Market Disclosure Committee is comprised of the Board Chairman and the Chair of the Audit & Risk Committee. Also in attendance are Grant Webster (Chief Executive Officer) and Mark Davis (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 and guidelines issued by the Financial Markets Authority and the NZX.

The Committee meets as required and approves all market disclosures.

## MARKETING & CUSTOMER EXPERIENCE COMMITTEE

The Marketing & Customer Experience Committee is comprised of at least two non-executive directors of the Board, and must be chaired by an independent director. The Committee supports the Board and management on strategy around brand, marketing and customer experience. The Committee meets as required.

## INDEPENDENT PROFESSIONAL ADVICE

With the approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operation or undertakings in order to fulfil their duties and responsibilities as Directors.

## TABLE OF BOARD ATTENDANCES

(FY2014 July 13 - June 14)

| | BOARD MEETINGS | AUDIT & RISK COMMITTEE MEETINGS | REMUNERATION & NOMINATION COMMITTEE MEETINGS | DISCLOSURE COMMITTEE MEETINGS | MARKETING & CUSTOMER EXPERIENCE COMMITTEE MEETINGS |
|---|---|---|---|---|---|
| **Total number of meetings held** | **11** | **5** | **5** | **2** | **3** |
| Rob Campbell | 11 | 5 | 4 | 2 | – |
| Graeme Bowker | 9 | 5 | 5 | 2 | – |
| Christina Domecq | 4 | – | 1 | – | 3 |
| Kay Howe | 10 | 4 | 4 | – | 3 |
| David Neidhart | 11 | 5 | 5 | – | – |
| Graeme Wong | 9 | 4 | 4 | – | – |
| Keith Smith | 5 | 2 | 3 | – | – |

## SHARE TRADING PROTOCOL

***thl*** has in place a formal securities trading policy and guidelines which applies 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, being the Directors, Chief Executive Officer and all persons reporting directly to the Chief Executive Officer, must notify ***thl*** of their intention to trade and obtain approval from the Board before trading in ***thl***'s shares. Trading is permitted, 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 Board approval being given.

## DIVERSITY POLICY

In June 2014 the Board adopted a Diversity Policy that requires diversity in Board representation 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 is committed to considering diversity as well as the mix of skills and experience needed to expand the perspective and capability of the Board as a whole.

# Statutory information

*For the year ended 30 June 2014*

The Board considers that it has the appropriate mix of skills, experience and diversity to discharge its responsibilities.

The ordinary shares of Tourism Holdings Limited are listed on the New Zealand Stock Exchange.

As at 30 June 2014 the total number of voting securities on issue was 111,802,556.

## SPREAD OF SHAREHOLDERS

| Size of holdings | NUMBER OF HOLDERS | NUMBER OF SHARES HELD | % OF TOTAL ISSUED SHARES |
|---|---|---|---|
| 1 - 1,000 | 798 | 534,961 | 0.5% |
| 1,001 - 5,000 | 1,861 | 5,198,628 | 4.7% |
| 5,001 - 10,000 | 655 | 5,128,298 | 4.6% |
| 10,001 - 50,000 | 605 | 12,573,582 | 11.2% |
| 50,001 - 100,000 | 59 | 4,592,675 | 4.1% |
| 100,001 and over | 52 | 83,774,412 | 74.9% |
| | 4,030 | 111,802,556 | 100.0% |

The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

## SUBSTANTIAL SECURITY HOLDERS

The following information is provided in compliance with section 35F of the Securities Markets Act 1988 and records Substantial Security Holder notices received in the period up to 30 June 2014.

| | NUMBER OF SHARES IN WHICH A RELEVANT INTEREST WAS HELD | |
|---|---|---|
| Milford Asset Management Limited | 19,948,669 | 17.8% |
| Sterling Grace Capital Management LP | 19,094,287 | 17.1% |
| Accident Compensation Corporation | 10,617,429 | 9.5% |
| Hauraki Motor Homes Limited | 6,444,265 | 5.8% |

Current holding reflects the latest notices received up to 30 June 2014.

## TWENTY LARGEST SHAREHOLDERS

| AS AT 30 JUNE 2014 | | NUMBER OF SHARES IN WHICH A RELEVANT INTEREST WAS HELD | |
|---|---|---|---|
| 1 | Tea Custodians Limited | 16,599,895 | 14.8% |
| 2 | Forsyth Barr Custodians Limited | 13,795,969 | 12.3% |
| 3 | Accident Compensation Corporation | 10,284,704 | 9.2% |
| 4 | Hauraki Motor Homes Limited | 6,444,265 | 5.8% |
| 5 | Alpine Bird (New Zealand) Limited | 5,224,932 | 4.7% |
| 6 | Forsyth Barr Custodians Limited | 5,142,206 | 4.6% |
| 7 | New Zealand Superannuation Fund Nominees Limited | 4,590,902 | 4.1% |
| 8 | Kevin Glen Douglas & Michelle Mckenney Douglas | 2,791,889 | 2.5% |
| 9 | Citibank Nominees (NZ) Ltd | 1,408,483 | 1.3% |
| 10 | Bnp Paribas Nominees NZ Limited | 1,302,570 | 1.2% |
| 11 | Kevin Douglas & Michelle Douglas | 1,190,943 | 1.1% |
| 12 | James Douglas Jr & Jean Ann Douglas | 1,190,939 | 1.1% |
| 13 | Moon Chul Choi & Keum Sook Choi | 1,110,000 | 1.0% |
| 14 | FNZ Custodians Limited | 1,023,940 | 0.9% |
| 15 | JBWERE (NZ) Nominees Limited | 950,000 | 0.8% |
| 16 | Ja Hong Koo & Pyung Keum Koo | 918,500 | 0.8% |
| 17 | New Zealand Permanent Trustees Limited | 816,184 | 0.7% |
| 18 | Leveraged Equities Finance Limited | 648,686 | 0.6% |
| 19 | Investment Custodial Services Limited | 601,559 | 0.5% |
| 20 | Robert Donald Spary | 542,038 | 0.5% |
| | | 76,578,604 | 68.5% |

The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

# Statutory information

*For the year ended 30 June 2014*

## DIRECTORS' SHAREHOLDINGS

| AT 30 JUNE 2014 | SHARES BENEFICIALLY OWNED, HELD SOLELY OR AS A JOINT HOLDER | | SHARES BENEFICIALLY OWNED, HELD BY ASSOCIATED PERSONS (INCLUDING FAMILY INTERESTS) | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| G W Bowker | **15,000** | 15,000 | **–** | – |
| R Campbell | **–** | – | **321,724** | – |
| C Domecq (1) | **–** | – | **–** | – |
| K Howe | **–** | – | **6,444,265** | 6,444,265 |
| D Neidhart | **–** | – | **–** | – |
| K R Smith (2) | **–** | – | **88,859** | 88,859 |
| G Wong | **109,245** | 100,000 | **–** | – |
| | **124,245** | 115,000 | **6,854,848** | 6,533,124 |

(1) C Domecq appointed as a Director on 1 February 2014.
(2) K R Smith retired as a Director on 27 November 2013.

## DIRECTORS' SHARE DEALINGS

Details of the Directors' acquisitions and disposals of relevant interests in the ordinary equity securities issued by the Parent company are as follows:

Tutanekai Investments Limited (an entity beneficially associated with R Campbell), acquired 270,000 ordinary shares in the Company over the period 30 August 2013 to 1 May 2014 at an average price of $0.95 per share. In addition, Tutanekai Investments Limited was issued with 51,724 ordinary shares in the Company on 28 March 2014 at $1.16 per share as part of R Campbell's director remuneration for the six months ended 31 March 2014.

G Wong was issued with 9,245 ordinary shares in the Company on 28 March 2014 at $1.16 per share as part of his director remuneration for the six months ended 31 March 2014.

The following entries were made in the Directors' interests register during the year:

| | |
|---|---|
| G W Bowker | Resigned as director of Kern Mobile Pty Limited. |
| R Campbell | Acquired 270,000 ordinary shares in the Company (through Tutanekai Investments Limited) over the period 30 August 2013 to 1 May 2014 at an average price of $0.95 per share. In addition, Tutanekai Investments Limited was issued with 51,724 ordinary shares in the Company on 28 March 2014 at $1.16 per share as part of R Campbell's director remuneration for the six months ended 31 March 2014.<br>General notice of interest in the following companies as Director: Aotearoa Financial Investments Limited, Callplus Limited, Localist Limited, FDJ Murrary & Company Holdings Limited, International Trading Cartel Limited, King Tide Asset Management Limited, Lake Taupo Forest Management Limited, Truescape Limited, Tutanekai Investments Limited, Harmoney Corp Limited and Brand Developers Limited. |
| C Domecq | General notice of interest in the following companies as Director: Localist Limited, Ora HQ Limited, International Trading Cartel Limited, NZ Market Limited, Wild Logic Limited, and Harmoney Corp Limited. |
| K Howe | General notice of interest as a director of THL Corporate Trustee Limited, and as a non-beneficial trustee of an entity that owns Supreme Motorhome Manufacturing Limited. |
| D Neidhart | Nil. |
| G Wong | Issued with 9,245 ordinary shares in the Company on 28 March 2014 at $1.16 per share as part of director remuneration for the six months ended 31 March 2014.<br>Resigned as director of China Forestry Group NZ Company Limited.<br>General notice of interest in the following companies as Director: Clyde Court Limited, Glaisnock Limited, Henry Wong Limited, Jaguar Nominees Limited, Kaihiku Rural Properties Limited, Mt Acernus Holdings Limited, Paretai Dairy Farm Limited, Radius Lint Limited, SAL Limited, Silver Earth Nominees Limited, Totara Island Farms Limited and Wong & Company Supermarket Limited. |

# Statutory information

*For the year ended 30 June 2014*

## GENERAL NOTICE OF DIRECTORS' INTERESTS

**G W Bowker** is a director of Silverstripe Australia Pty Limited.

**R Campbell** is Chair of Summerset Group Holdings Limited, and is a director of the following companies: Precinct Properties New Zealand Limited, Turners & Growers Limited, Guinness Peat Group plc, Aotearoa Financial Investments Limited, Callplus Limited, Localist Limited, FDJ Murrary & Company Holdings Limited, International Trading Cartel Limited, King Tide Asset Management Limited, Lake Taupo Forest Management Limited, Truescape Limited, Tutanekai Investments Limited, Harmoney Corp Limited and Brand Developers Limited.

**C Domecq** is a director of Localist Limited, Ora HQ Limited, International Trading Cartel Limited, NZ Market Limited, Wild Logic Limited, and Harmoney Corp Limited.

**K Howe** is a director of THL Corporate Trustee Limited, Hauraki Motor Homes Limited and Hauraki Enterprises Limited and trustee of Breast Cancer Cure Research Trust. K Howe is also a non-beneficial trustee of an entity that owns Supreme Motorhome Manufacturing Limited.

**D Neidhart**: nil

**G Wong** is chairman of Harbour Asset Management Limited and a director of the following companies: Aerograph Limited, Clyde Court Limited, Glaisnock Limited, Henry Wong Limited, Jaguar Nominees Limited, Kaihiku Rural Properties Limited, Mt Acernus Holdings Limited, Paretai Dairy Farm Limited, Precinct Properties New Zealand Limited, Radius Lint Limited, SAL Limited, Silver Earth Nominees Limited, Southern Capital Partners (NZ) Limited, Totara Island Farms Limited and Wong & Company Supermarket Limited.

## NZX WAIVER

On 26 April 2013 ***thl*** obtained a waiver from NZX Regulation ("NZXR") from NZSX Listing Rule ("Rule") 7.6.1 (which relates to the acquisition or redemption of equity securities by an Issuer). The waiver relates to ***thl***'s long term incentive scheme for senior executives. ***thl*** had previously been granted a waiver for its 2006 long term incentive scheme in July 2009.

NZXR has revoked the 2009 waiver and granted ***thl*** a new waiver from Rule 7.6.1 to allow ***thl*** to redeem:

Any redeemable shares issued for the purposes of the ***thl*** 2006 long term incentive scheme or the ***thl*** 2009 long term incentive scheme ('Scheme'), and any further redeemable shares issued for the purposes of the Scheme, which may no longer be required for the purposes of the Scheme because:

– an executive has ceased to be employed by the ***thl*** Group before requiring a transfer of those shares; or

– because an executive does not call for a transfer of shares within the time allowed by the Scheme; or

– an executive otherwise surrenders or forfeits any rights under the Scheme, including the right to call for a transfer.

## DIRECTORS' LOANS

There were no loans by the Group to Directors.

## DIRECTORS' INSURANCE

The Group has arranged insurance cover and provided deeds of indemnity for Directors' and Officers' liability.

# Statutory information

*For the year ended 30 June 2014*

## DIRECTORS' REMUNERATION

Directors' remuneration received, or due and receivable during the year is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Directors of Tourism Holdings Limited** | DIRECTOR'S FEES | OTHER REMUNERATON | DIRECTOR'S FEES | OTHER REMUNERATON |
| J Bongard [(1)] | – | – | 25,417 | – |
| G W Bowker | 75,600 | – | 70,100 | – |
| R Campbell [(2)] | 108,583 | – | 9,750 | – |
| R G M Christie [(3)] | – | – | 25,833 | – |
| C Domecq [(4)] | 26,667 | – | – | – |
| D Gupta [(5)] | – | – | 52,407 | – |
| K Howe [(6)] | 59,000 | – | 37,333 | 73,063 |
| D Neidhart [(7)] | 64,320 | – | 4,088 | – |
| K R Smith [(8)] | 31,500 | – | 101,000 | – |
| G Wong | 62,833 | – | 58,917 | – |
| | 428,503 | – | 384,845 | 73,063 |

(1) J Bongard retired as a Director on 27 November 2012.
(2) R Campbell appointed as a Director on 6 May 2013.
(3) R G M Christie retired as a Director on 27 November 2012.
(4) C Domecq appointed as a Director on 1 February 2014.
(5) D Gupta retired as a Director on 7 June 2013.
(6) K Howe appointed as a Director 31 October 2012.
(7) D Neidhart appointed as a Director 7 June 2013.
(8) K R Smith retired as a Director 27 November 2013.

## EMPLOYEE REMUNERATION

The number of employees in the Group or former employees (not including Directors) whose remuneration (including severance pay) was within the specified bands is as follows:

| REMUNERATION IN $000's | NUMBER OF EMPLOYEES |
|---|---|
| 100 – 109 | 3 |
| 110 – 119 | 16 |
| 120 – 129 | 5 |
| 130 – 139 | 5 |
| 140 – 149 | 2 |
| 150 – 159 | 5 |
| 160 – 169 | 4 |
| 170 – 179 | 3 |
| 200 – 209 | 1 |
| 210 – 219 | 1 |
| 250 – 259 | 2 |
| 330 – 339 | 1 |
| 420 – 429 | 2 |
| 430 – 439 | 1 |
| 470 – 479 | 1 |
| 530 – 539 | 1 |
| Total | 53 |

## AUDITORS

In accordance with section 196 of the Companies Act 1993, PricewaterhouseCoopers are appointed as our auditors. Auditors' remuneration is detailed in note 5 of the financial statements

# Board of Directors

ROB CAMPBELL (AUCKLAND) CHAIRMAN
Independent Director appointed in May 2013. Appointed Chairman of ***thl*** in August 2013. Rob has over 30 years' experience in investment management and corporate governance. Currently Chair of Summerset Group Holdings Limited (NZ), and a director of Guinness Peat Group Limited (UK), Precinct Properties and Turners and Growers. He is a director of substantial private companies based in Australia and New Zealand. In addition he is a director of or advisor to a number of hedge and private equity funds in a number of countries. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

GRAEME BOWKER (MELBOURNE)
Independent Director appointed in February 2003. Appointed Chairman of ***thl*** Audit & Risk Committee 31st October 2012. Currently is Chair of Silverstripe Australia Pty Limited and acts as a mentor to executives. Formerly the Victorian Managing Partner for Deloitte Touche Tohmatsu and prior to this, Country Managing Partner in New Zealand.

CHRISTINA DOMECQ (AUCKLAND)

Independent Director appointed in February 2014. Currently the CEO of Localist, winner of the Westpac Supreme Business Excellence Award in 2013. Christina has operated internationally as a technology entrepreneur as well as an investor and a director in a variety of premium New Zealand brands, including Stolen Rum, Fingertapps, Unlimited Realities and ZapTag. Starting her first company at the age of 20, Christina has owned and invested in a large variety of companies around the world. Christina has broad skills in strategic assessment, monetising ideas from concept to viable commercial entities and decisively seizing competitive advantage. Christina holds a Bachelor of Arts & Science from Boston College and Master of Finance from Notre Dame University and has won a raft of awards including Ernst & Young UK, 'Young Entrepreneur of the Year' and 'Science and Technology Entrepreneur of the Year' in 2006 and CNBC Entrepreneur of the Year in 2009.

KAY HOWE (AUCKLAND)
Non Independent Director appointed in October 2012. With a background in a variety of industries Kay entered into the tourism market in 1978 starting her first motorhome rental business as a small family operation. An industry pioneer, Kay is experienced in the operational, financial, sales and marketing of a rental motorhome business in New Zealand and has established strong industry relationships in many European markets. Kay founded United Vehicle Rentals in 1994 which was sold to thl on the 31st October, 2012. Kay is a trustee of Breast Cancer Cure Research. Kay is a non independent director under the NZX listing rules due to being a director of an entity that is a substantial security holder in ***thl***.

DAVID NEIDHART (SWITZERLAND)

Non Independent Director appointed in June 2013. David was proposed for appointment by the Sterling Grace funds, an entity that is a substantial security holder in ***thl***. David accumulated more than 4 years of experience in vehicle rental industry as a Director of Strategy for the International business unit of Hertz. During his professional career, David has operated across a number of international markets across various disciplines and industries. David has managed Strategy and M&A for large International companies such as Hertz as well as being active in Asset Management and Private Equity industries, Valartis and Bisange. David holds a Master of Finance of the Sciences-po University in Paris and a Diploma from the Geneva University.

GRAEME WONG (WELLINGTON)
Independent Director appointed in November 2007. Appointed Chairman Remuneration & Nomination Committee October 2013. 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 in 2006. Previous directorships include New Zealand Farming Systems Uruguay Limited, Sealord Group Limited, Tasman Agriculture Limited, Magnum Corporation Limited, and At Work Insurance; alternate director of Air New Zealand. Currently Chairman of Harbour Asset Management Limited; Director of Areograph Limited, Precinct Properties New Zealand Limited and shareholder and Director of Southern Capital Partners (NZ) Limited. Member of the Trust Board of Samuel Marsden Collegiate School and Member of the Management Board of The Bible Society Development (New Zealand) Incorporated.