



TOURISM
HOLDINGS
LIMITED

our mission

Tourism Holdings

Limited will be New Zealand and Australia's leading tourist plant and experiences operator utilising Tourism Holdings Limited's unique attractions with strategic, compatible overseas investments.

| | |
|-------------------------------------|----|
| Highlights 2004 | 3 |
| Financial Summary | 4 |
| Chairman's Report | 6 |
| Managing Director's Report | 9 |
| Statements Of Financial Performance | 14 |
| Statements Of Movements In Equity | 14 |
| Statements Of Financial Position | 15 |
| Statements Of Cash Flows | 16 |
| Statement Of Accounting Policies | 18 |
| Notes To The Financial Statements | 20 |
| Corporate Governance | 33 |
| Statutory Information | 35 |
| Auditors' Report | 38 |
| Directory | 39 |

contents

financial calendar

Results Announced:

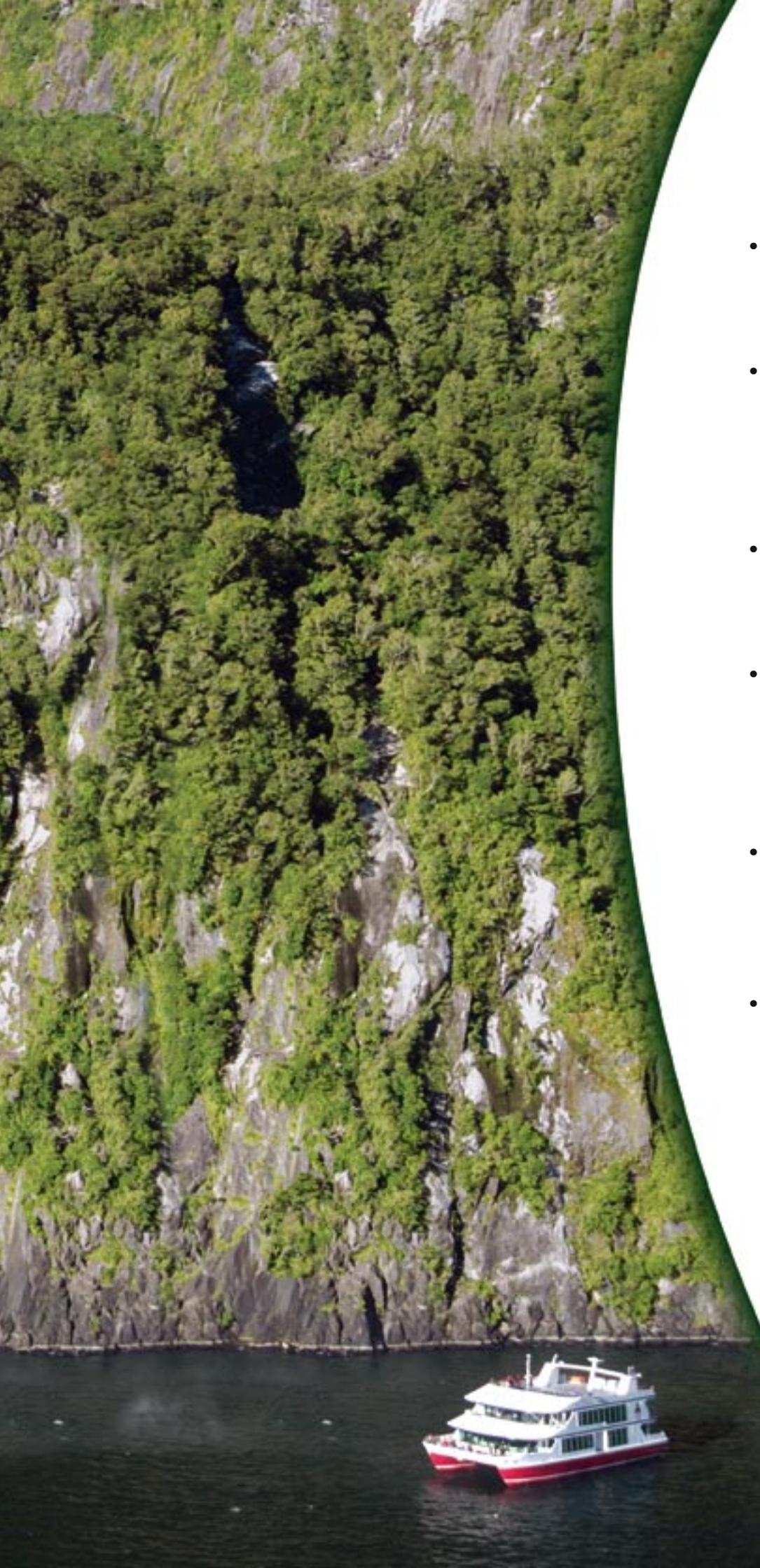
Interim 24 February 2004
Annual 24 August 2004

Annual General Meeting:
16 November 2004, Auckland

Proxies Close:
3.30 pm Friday 12 November 2004

Record Date for Payment of Dividend:
15 October 2004

Date for Payment of Dividend:
22 October 2004

An aerial photograph of a lush green forested mountain. A river flows through the center of the forest. At the bottom of the image, a white and red catamaran boat is on the water. The image is partially obscured by a white curved shape on the right side.

Highlights

- Reported surplus attributable to shareholders of \$11.2m up 29% from \$8.7m last year.
- Purchase of Black Water Rafting and Ruakuri Caves 30 year concession in October 2003 with Ruakuri Caves to be reopened in February 2005.
- Dividends of 12¢ per share paid during the financial year including a 4¢ special dividend.
- The Pride of Milford entered service at Milford Sound in October 2003. A state of the art 400 seater catamaran enjoying strong patronage.
- Takeover of Hertz Australia motorhome fleet and forward bookings in August 2004.
- Redesigned 2 berth motorhomes entered service in New Zealand following a successful unveiling at Trenz the industry travel expo.

financial summary

| | June 30 2004 \$million | June 30 2003 \$million | June 30 2002 \$million | June 30 2001 \$million | June 30 2000 \$million |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Financial Performance | | | | | |
| Turnover | 166 | 165 | 182 | 201 | 184 |
| Earnings before depreciation, amortisation, interest & taxation | 57 | 55 | 50 | 67 | 65 |
| Earnings before interest & taxation | 22 | 20 | 9 | 29 | 33 |
| Surplus attributable to shareholders | 11 | 9 | 0 | 13 | 15 |
| Operating cash flow | 40 | 40 | 53 | 45 | 38 |
| Financial Position | | | | | |
| Paid in capital | 144 | 144 | 133 | 133 | 133 |
| Total equity | 167 | 170 | 168 | 176 | 172 |
| Net interest bearing debt (7) | 52 | 38 | 76 | 94 | 114 |
| Total funds employed | 253 | 241 | 279 | 307 | 319 |
| Capital expenditure | 62 | 37 | 67 | 60 | 93 |
| Statistics | | | | | |
| Return on average equity | 6.7% | 5.1% | 0.1% | 7.5% | 11.2% |
| Earnings before depreciation, amortisation, interest & taxation (EBITDA) to average total funds | 23.1% | 21.2% | 16.9% | 21.4% | 26.6% |
| Earnings before interest & taxation (EBIT) to average total funds | 8.9% | 7.7% | 3.2% | 9.3% | 13.4% |
| Basic earnings per share | 11.4c | 8.8c | 0.3c | 14.1c | 19.4c |
| Dividends per share (8) | 12.0c | 7.0c | 5.0c | 9.0c | 4.0c |
| Cash flow from operating activities per share | 40.8c | 41.1c | 57.7c | 49.0c | 49.9c |
| Net asset backing (incl. intangibles) per share | 170c | 173c | 183c | 192c | 187c |
| Equity as percentage of: | | | | | |
| Total funds | 62% | 66% | 54% | 50% | 46% |
| Net interest bearing debt | 322% | 447% | 221% | 187% | 151% |
| Debt/Debt + Equity ratio | 27% | 22% | 37% | 42% | 48% |

(1) Earnings statistics are based on surplus attributable to shareholders (except EBIT and EBITDA ratios).

(2) Earnings and cash flow from operating activities per share calculations are based on the weighted average number of shares on issue during the year.

(3) Cash flow from operating activities is from the Statement of Cash Flows.

(4) Total funds include non-interest bearing debt.

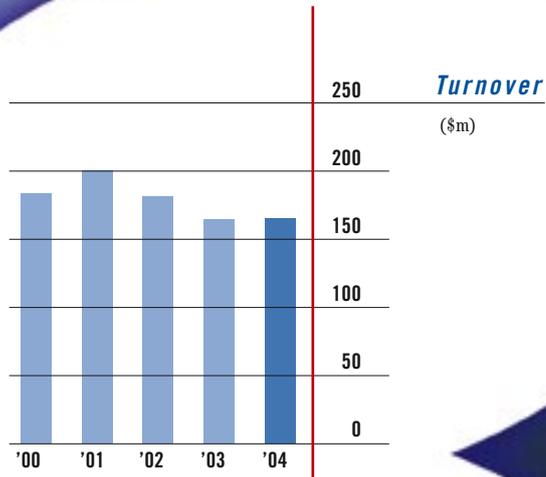
(5) Capital expenditure includes new asset purchases, business acquisitions and investments.

(6) Calculations involving dividends exclude supplementary dividends.

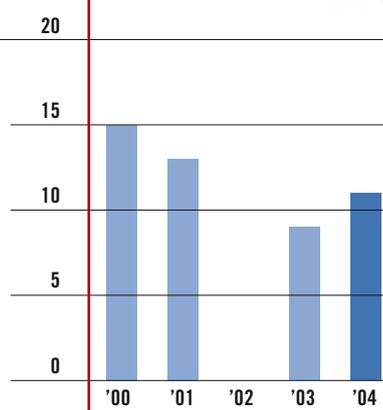
(7) Net interest bearing debt consists of interest bearing debt less cash and bank balances.

(8) The final dividend of 5 cents per share is not shown above. This is in accordance with FRS 5.

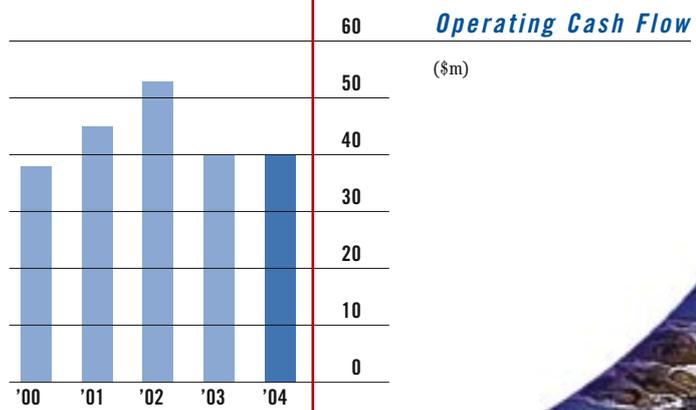
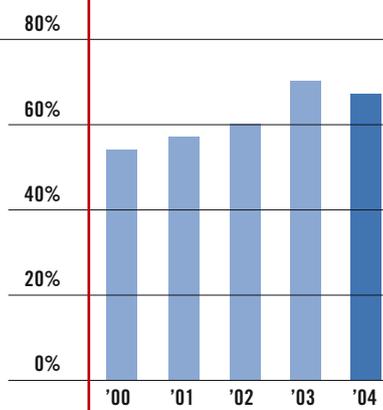




Surplus Attributable to Shareholders
(\$m)



Equity to Total Assets



Chairman's Report



Tourism Holdings earned a net profit after tax (NPAT) of \$11.2m for the financial year ended 30th June 2004 which compares to last year's profit of \$8.7m.

Excluding one off tax adjustments in both years and unusual items from last year the trading Net Profit After Tax of \$10.3m was \$3.1m or 43% ahead of last year.

The second half year NPAT from trading was \$6.1m which compares favourably to the first six months of \$4.2m and last year's \$3m. The international tourism environment over the past six months has been more stable than previous years and not disrupted by international events such as terrorism attacks (911 and Bali), Iraq Wars and SARS virus. THL in New Zealand enjoyed the benefits of a full high summer season, the first for three years.

The profit was achieved on a turnover of \$166m, which excluding discontinued businesses was 4% up on last year. Earnings before interest, tax and amortisation (EBITA) was \$27m or 7% up on last year.

The Company once again generated strong operating cash flows of \$40m. With the increase in

Capital Expenditure on plant, new developments and the special dividend payment in April, net debt rose from \$38m to \$52m.

The Balance Sheet Equity Ratio excluding intangibles reduced from 66% to 62% and the Debt to Debt plus Equity Ratio increased from 22% to 27% due to the increase in Capital Expenditure. THL Board policy is to maintain an Equity Ratio excluding intangibles of at least 60%, which whilst conservative provides a buffer against unforeseen events.

Dividend

At the interim six months results release your Directors resolved to pay a special one off dividend of 4 cents per share in April. This combined with the normal dividend and the dividend paid in October last year (both of 4 cents per share each) meant that we have paid a total dividend of 12 cents per share fully imputed during the financial year. This higher dividend reflected the improved profit performance, continuing strong cash flows and the Directors opinion as to a more favourable and certain trading outlook. Based on the 2004 results and the current trading outlook, the Directors have declared a fully

imputed dividend of 5 cents per share payable on the 22nd October 2004 for Shareholders of record on the 15th October 2004.

Directors will continue to assess the Capital structure of the Company in the context of the trading results, financial position and trading outlook.

The Directors consider a dividend payout ratio of 60% of NPAT pre Goodwill Amortisation as being appropriate which ensures funds are available for growth opportunities.

Outlook

The current tourism environment is positive for the South Pacific region in which THL operates.

With improving world economies there is increasing worldwide consumer confidence. Terrorism threats are having less of a negative impact on travel patterns as evidenced by the March Madrid Bombing and ongoing Iraq and Middle East hostilities not impacting travel to Australia and New Zealand.

However the main contributor to the regions rejuvenated tourism is the significantly increased airline capacity for both short and long haul destinations. This has led to

a major reduction in airfares and consequential increase in demand. The South Pacific region is benefiting from the arrival of new airlines both in long haul (Emirates and Asiana Airlines) and Trans-tasman with Emirates and Pacific Blue (Virgin). This has necessitated increased capacity and reduced airfares by both Air New Zealand and Qantas.

Domestic airlines have also increased capacity particularly in Australia with the price war of Virgin Blue and Qantas' new "no frills" operation Jetstar.

Directors

Mr Don Spary, a founding director of the Helicopter Line (THL's predecessor) in 1986 has chosen to resign at the Annual Meeting on 16 November 2004. Don has been a major contributor to THL and with his vast Aviation and South Island tourism experience has been of great assistance to your Board and Management over the past eighteen years. We wish Don and his wife Jan our very best wishes for the future.

The Board appointed in June 2004 Mr David Cushing as a non-executive Director. David is based in Christchurch and has a track record of proven business experience in New Zealand. Apart from other Directorships he has enjoyed a successful career in Investment Banking.

Mr Cushing as an appointee to the Board during the year will resign and offer himself for re-election under S34.3 of the constitution.

Ms Withers and Messrs Smith and Christie will resign by rotation at the Annual Meeting and being eligible offer themselves for re-election.

Annual meeting

The Annual Meeting this year will be held at 3.30pm on Tuesday, 16 November 2004 at the Heritage Hotel – Robert Laidlaw Room 1, Auckland. The notice of the Annual Meeting



and explanatory notes relating to the meeting will be forwarded to you separately to this report.

Management and staff

Management and staff have had a more enjoyable year operating in a more positive and certain tourism environment. Despite the difficult and challenging years caused by external international events we have retained our key people with minimal staff turnover. Over the past year there has been an increased investment in our people through career development and in particular THL's "Making the Moment" customer service training. We have also commenced a Vision and Values programme that has gained strong staff acceptance.

THL is committed to investing in its people to improve their skills levels and to deliver a superior experience for our customers.

Conclusion

Both the immediate and long term outlook for tourism is good. THL has a strong Balance Sheet, high cash flows and good competent management and staff. The prospects for the international tourism markets that THL operates in is positive.

Your Directors and Senior Executives are looking forward to meeting as many shareholders as possible at the Annual Meeting in Auckland on 16 November 2004 where I will update you on the current year trading position and the immediate trading outlook.

Keith Smith
Chairman
24 August 2004





Managing Director's Report

South Pacific Tourism Outlook New Zealand

The New Zealand outlook remains strong with growth to June 2004 of 10% and the Tourism Research Forecasting Council forecasting annual growth of 6% to 2010. New Zealand continues to capitalise on the successes of Tourism NZ's 100% Pure Campaign and films portraying NZ scenery such as the Lord of the Rings trilogy and Whale Rider. Tourism New Zealand's recent gold medal achievement and overall coverage at the 2004 London Chelsea Flower Show reinforces in our key UK market NZ's green image and high appeal of eco-tourism. We have confidence that the \$170m film production of *The Lion, The Witch and The Wardrobe* will continue this marvellous coverage of New Zealand's landscape.

New Zealand was also voted for the second year the world's #1 tourism destination by the highly influential *Lonely Planet* publication.

Australia

THL has 33% of its business in Australia which has not performed to Management or your Directors expectations. Australia is recovering albeit at a lower growth rate than New Zealand. The increased international and domestic airline capacity will encourage greater tourist numbers. The Australian domestic market has grown and is now seen to be of high importance being the target of Federal and State tourism initiatives. The recently announced A\$235m Federal tourism funding boost and

the recently launched "Australia – a Different Light" advertising campaign will increase both international and domestic tourism over the medium term.

Fiji

Increased airline competition and capacity has also benefited the Pacific Islands and in particularly Fiji where THL operates.

Risk Management and Cash is King

THL once again concluded the year in a strong financial position. The doctrine of Cash is King is firmly entrenched within THL as part of our overall Risk Management programme.

During the year Senior Management and the Board have commenced development of a comprehensive Risk Management programme. This is designed to identify and manage the various risks that can impact THL. Whilst some risks, such as incidents of world terrorism and wars, are outside of our control there are both internal and external risks that can be identified and the negative impact minimised.

Operations Review

Rentals

THL Rentals comprises motorhomes under the brands of Britz, Maui and Backpacker together with rental cars and fleet disposal operations in both Australia and New Zealand. CI Munro, our motorhome manufacturing business, is based in Otorohanga, New Zealand and supplies both our New Zealand and Australian requirements.

Total Rentals revenue was down 2% with Earnings Before Interest, Taxation and Goodwill Amortisation (EBITA) increasing 16% from \$17.9m to \$20.8m.

Rentals NZ has enjoyed a strong year with a 13% increase in revenue and 30% increase in EBITA both as a result of NZ being a "Hot" tourist destination but also due to the appeal of NZ as a motorhome touring country. The geographic spread of Rentals NZ customer base including the UK, Europe, US and Australia has benefited us. In particular the UK has had good economic growth and consumer confidence which encourages travel.

Rentals NZ had major gains in add-on revenue sales, improved customer service delivery and regained market share in both motorhomes and cars. They also benefited from the Australian tourist increases into New Zealand.

The New Zealand market has in recent months consolidated with the withdrawal of Hertz New Zealand Campervans in April 2004 and the closing of Cruise NZ at the end of July. THL has from August 2004 acquired the forward bookings in New Zealand of Cruise NZ.

Rentals Australia suffered the overhang of SARS and the Iraq War impacting their traditional high season of July-October. Australia also draws a much larger portion of its customers from Germanic Europe which continues to experience low economic growth and flagging consumer confidence. Whilst we have been very successful in expanding



sales outside this area in particular domestic travel within Australia this has not compensated for the drop in the key Germanic markets.

Australia Rentals had a revenue decline of 10% with profit reducing 27% from \$6.7m to \$4.9m.

Since Balance Date THL has acquired the motorhome fleet and forward bookings in Australia of the Hertz Australia franchisee. The increased revenue from this business will be most welcome and an orderly disposal of surplus fleet is planned to ensure a good financial outcome.

CI Munro achieved a solid profit with an increased build of both motorhomes and caravans. A new management team has significantly lifted the operating and financial performance. This ensured meeting production deadlines and quality standards. CI Munro have now established three production lines with year round capacity to meet increasing mobile home demand.

Attractions

This division includes the key New Zealand attractions of Kelly Tarlton's Antarctic Encounter and Underwater World, Waitomo Glowworm Caves, and Milford Sound Red Boat Cruises.

Benefiting our Waitomo investments was the November 2003 acquisition of Black Water Rafting and the securing of a 30 year concession on the neighbouring Ruakuri Caves. These historical and picturesque caves will be reopened in early 2005.

Attractions revenue increased 13% with a profit decline of 5% from \$6.6m to \$6.3m.

Kelly Tarlton's suffered through decreased patronage and increasing competitor attractions in Auckland. The major redevelopment of Kelly Tarlton's is on plan with the completion of the new \$3m filtration plant in July and the opening of its new attraction Stingray Bay is due by Christmas 2004.

Waitomo Glowworm Caves and Milford Sound Red Boat Cruises were adversely affected by the Japan/Asian market down 11% for the year due to Iraq / SARS and exceptionally wet and unseasonal bad weather.

The launch of the new Pride of Milford in November 2003 has led to increased patronage on Red Boats Milford Sound Cruises. There is confidence that the Black Water Rafting and reopening Ruakuri Caves will significantly benefit our Waitomo businesses.

Coaching

The Coaching division includes Johnston's chartered coach operation, Great Sights Coaching with its Discover NZ packaging and contact centre, Airbus, Kiwi/Oz/Feejee Experience and Tourist Transport Fiji. Last year Great Sights was included in Attractions, this division is now reported under Coaching.

Overall Coaching had a disappointing year. Revenue increased 7% to \$48m with EBITA increasing only

3% to \$3.2m.

Johnston's operates in the tour coaching sector of prescheduled or packaged travel which has not increased over the past five years. Johnston's has responded to the challenge by being a niche coach operator focussed on the high yielding market. Over the past two years Johnston's have failed to deliver on this strategy with poor economic returns. A major restructuring plan is currently being implemented that should achieve the returns required within the next financial year.

Great Sights and its packaging business of Discover NZ bounced back well from the impacts of Iraq / SARS with a 13% and 57% growth in revenue and EBITA respectively. With the strong growth of semi-independent travellers (SIT) and free independent travellers (FIT) these businesses will continue to expand.

Oz Experience incurred another significant loss. The Australian Backpacker industry remains in deep decline and is estimated to be 20-30% down on the previous year. A new management team is lowering the cost structure as well as exiting loss making routes. A new product launch is planned with greater emphasis on tourist activities rather than transport routes.

Kiwi Experience did not perform to expectation and a review of products on offer is being undertaken.

Fiji is enjoying a major upsurge in tourism with the political and



economic outlook more certain. This led to a 32% increase in revenue by our operations in Fiji with Feejee Experience in particular enjoying significant growth now transporting over 3,000 tourists annually.

Over the past five years we have been reluctant to invest in Fiji due to political and economic uncertainty. There is a need now to meet increased demand and tourist expectations of quality by upgrading significantly our Coaching fleet which is planned over the coming year.

Unusual items

Last years result included the disposal of our aviation and skifield businesses. There were no unusual items this year.

Our people

THL focuses on being a champion team as opposed to a team of





champions. The “Perfect Storm” over the past three years whilst negatively impacting international tourism has moulded a strong, united and resilient THL staff. THL has very committed and passionate employees who are developing into a wonderful team. The principles of 1 + 1 = 3 prevails with staff creatively seeking opportunities not just for their business but for the benefit of the THL Group. This was demonstrated with the acquisition of the Black Water Rafting at Waitomo which has seen our transport operations of Coaching, in particular Kiwi Experience and Rentals drive increased volumes to this exhilarating, spectacular ecotourism attraction. This has whetted the appetite for the reopening after a fifteen year closure of the Ruakuri Caves early next year.

During the year THL has been progressively implementing a Vision and Values programme. This is aspirational and it will take some years of strong leadership and staff commitment to achieve our Vision & Values goals.

Environment

Tourism Holdings operates in a business environment which has significant interaction with the

natural environment.

During the year THL has commenced developing operating strategies around sustainable business practice and environmentally sound operating practices.

These strategies will over time address and improve THL's performance in operating efficiencies, waste management, environmental risk mitigation and energy consumption.

We are also working with our suppliers and in particular BP our fuel provider, to establish three environmental trusts throughout NZ focussed on protecting and enhancing the environment in which THL operates viz marine life (Kelly Tarlton's), Waitomo and Milford Sound. Funding of these environmental trusts will be predominately generated by a fuel rebate on fuel used by our NZ Rentals

clients assisted by contributions from THL and other supplier contributions. We are embarking on a similar environmental strategy in Australia.

Growth strategies

The strategy of evaluating acquisitions or new developments as “Bolt On” to existing businesses has proven to be successful. Feejee Experience a new “Backpacker” activity oriented experience launched in November

Operational Review

| | Year ended 30 June 2004 | | | | Year ended 30 June 2003 | | | |
|--|-------------------------|---|----------------------------------|--------------------------------------|-------------------------|---|----------------------------------|--------------------------------------|
| | Turnover (\$million) | Divisional Contribution (\$million) | Funds Employed (\$million) | Operating Cashflow (\$million) | Turnover (\$million) | Divisional Contribution (\$million) | Funds Employed (\$million) | Operating Cashflow (\$million) |
| Rentals worldwide (including CI Munro) | 98.9 | 20.8 | 172.2 | 32.9 | 101.2 | 17.9 | 168.9 | 28.5 |
| Attractions | 22.9 | 6.3 | 42.6 | 7.4 | 20.2 | 6.6 | 34.7 | 10.0 |
| Coaching | 48.3 | 3.2 | 37.7 | 3.7 | 45.2 | 3.1 | 39.2 | 4.9 |
| Discontinued Businesses | - | - | - | - | 5.5 | 0.7 | - | 0.7 |
| Corporate | - | (3.5) | 0.4 | (3.9) | - | (3.7) | (2.3) | (3.8) |
| Inter company sales | (4.5) | - | - | - | (6.7) | - | - | - |
| Total | 165.6 | 26.8 | 252.9 | 40.1 | 165.4 | 24.6 | 240.5 | 40.3 |

Divisional contribution reflects EBIT before unusual items and amortisation of intangibles.

International Visitor Arrivals Growth

| Year To June 2003 | New Zealand | Australia |
|-------------------------|--------------|--------------|
| Australia | + 22.5 % | na |
| Germany | + 6.5 % | + 5.0 % |
| Japan | + 1.6 % | + 4.0 % |
| New Zealand | na | + 17.0 % |
| USA | + 2.5 % | + 2.0 % |
| Total All Markets | + 11.5 % | + 9.0 % |
| Forecast to 2004 - 2010 | + 5.8 % p.a. | + 5.9 % p.a. |



2002 as an extension of our Fijian transport business modelled on Kiwi/Oz Experiences should transport close to 5,000 tourists next year.

The Waitomo investments of Black Water Rafting and Ruakuri Caves (30 year concession) has and will continue to prove extremely popular with the Rafting business increasing revenue by 22% since being acquired in October 2003. The Ruakuri Caves reopening scheduled for early 2005 is generating a great deal of local and international tourist interest. These famous and historical caves will feature three guided tours through 2 kilometres of caves which will offer a vastly different experience to our existing Waitomo Glowworm and Aranui Caves. The Ruakuri Caves tours will also give the opportunity to view and interact with the Black

Water Rafting experience. Since balance date the motorhome fleet and forward bookings of Hertz Australia and the forward bookings of Cruise NZ have been integrated into our Australian and NZ operations with minimal cost or operational issues.

We continue to evaluate similar growth opportunities.

Outlook

The South Pacific region and in particular New Zealand is experiencing strong growth in international tourism. The region has successfully turned its isolation and distance to an advantage.

The greatest growth is in Eco Tourism driven by the Semi Independent (SIT) and Free Independent Travellers (FIT). Whilst tourists who travel on packaged or pre scheduled tours have not grown

the SITs and FITs have over the past five years into New Zealand grown at 15% and 8.5% p.a. respectively. THL will focus on these tourists who generally travel "Down Under" to enjoy the natural beauty and scenery the South Pacific region provides.

Seen now as a safe and secure region with beautiful and contrasting scenery there is increased marketing of our region. New Zealand as a "Hot" destination is retaining its strong appeal assisted by the Tourism NZ's 100% Pure marketing initiatives and film coverages. Australia has embarked on a similar campaign of "Australia – A Different Light" which is part of a Federal Government A\$235m tourism plan to rejuvenate Australian tourism. The initial signs for Australia are positive with international tourism volumes expected

to rise 8% this year and thereafter an annual increase of 4.5%.

Whilst THL has improved its results over the year the Company is still not performing to its capability, particularly in Australia. Your Management are determined to lift the performance to a higher level sooner rather than later. We continue to have the strong support of a competent and able Board, highly skilled and committed staff with good quality suppliers.

Dennis Pickup
Managing Director

Founding Director Retires



Adrenalin could well be retiring Tourism Holdings Limited Director Don Spary's middle name. A Founding Director of The Helicopter Line – one of the three companies that became THL – Mr Spary has a life-long reputation for seeking adventure.

While his most recent 'fixes' include hiking high in the snow-capped Andes in South America, Mr Spary's adventurous and pioneering nature was first given leash during the two decades he spent in the British Army.

This is where he also got his first taste

for aviation and aircraft, which continue to be an abiding passion.

Soon after he arrived in New Zealand in 1969 from the USA where he had been working for the US Army, Mr Spary was at the controls of helicopters carrying out deer recovery work on the rugged Fiordland and West Coast areas of the South Island. This in turn led to him being one of the first to develop scenic helicopter operations and heli-skiing in the region. In THL's early years, as the local Director, he was involved in the Treble Cone Ski Area, jet boating and rafting

on the Kawarau and Shotover rivers in Queenstown and the adventure tourism combinations that thrill seeking visitors relish today. Those preferring to watch others get adventurous also have Mr Spary to thank for his part in the making of the perennially popular Kiwi Magic movie and the construction of the specially designed Showscan Theatre complex in which it has been screened since the late 1980s.

As a fan of historic aircraft, Mr Spary is Chairman of Trustees for the celebrated New Zealand Fighter Pilots Museum Charitable Foundation at Wanaka and an avid supporter of the biennial Warbirds Over Wanaka. The increasingly popular air show is, among other enterprises, operated by the Alpine Deer Group, a company that he Chairs and is owned by Sir Tim Wallis, his long-time friend and business associate from The Helicopter Line days.

A life member and former council member of the Aviation Industry Association of New Zealand, he was a founding member of the organisation's Helicopter Division and has been on its committee, including serving as Chairman, since its inception.

Over the years Mr Spary's extensive knowledge of aviation and tourism has contributed significantly to the growth and success of THL. The Board and Management wish him and his wife Jan the very best for the future, which it is understood includes continuing to clock up adventures such as scaling the heights of East Africa's Mount Kilimanjaro.



Financial Statements

