

TOURISM HOLDINGS LIMITED

MINUTES OF ANNUAL MEETING OF SHAREHOLDERS

**Held at the Heritage Hotel, Auckland
on Tuesday 14 November 2006 at 3.30 p.m., pursuant to a Notice of Meeting previously
circulated to all shareholders**

PRESENT:

Directors:

K R Smith (Chairman)	RGM Christie
H M Price	D Cushing
G W Bowker	

THL Executive Staff:

T Hall	S Parcell (Secretary)
I Lewington	S Murray
L Hatton	G Webster
S Sullivan	P Hebbard
C Rusden	Q Hall
K Nixon	

Shareholders and Other Attendees:

72 people

APOLOGIES:

Nil

MEETING OPENING:

The Chairman declared the meeting open at 3.30 p.m. and welcomed shareholders to the twentieth Annual Meeting of THL.

INTRODUCTION

The Chairman, Mr Smith, introduced to the meeting all Directors, Mr Trevor Hall, Chief Executive Officer, Mr Lewington, Chief Financial Officer, Ms Parcell, Secretary to the Board and advised that representatives from the Auditors and the Legal Advisors were present.

NOTICE OF MEETING

Mr Smith moved that the Notice of Meeting be taken as read.

Moved by: Keith Smith
Seconded by: A shareholder

CARRIED

MINUTES OF PREVIOUS ANNUAL MEETING

The Chairman advised that the minutes of the previous Annual Meeting (held on 15 November 2005), were approved by the Directors at their first meeting following that Annual Meeting. He advised that the minutes were available for review with the Board Secretary after the meeting if any shareholder so desired, and were also posted on the THL website.

CHAIRMAN'S ADDRESS

Welcome, Ladies & Gentlemen, to the 20th Annual Meeting of Tourism Holdings Limited. I am your chairman, Keith Smith.

I am joined by my fellow directors, Graeme Bowker, David Cushing, Rick Christie and Harry Price – and also by our new chief executive officer Trevor Hall.

I will speak briefly to you today about the key aspects of the 2006 trading year. Trevor will also speak to you, and there will be time for questions and answers as we move through the business of the meeting.

My comments will cover the following topics:

1. The group's trading results
2. Dividend
3. The trading environment
4. Divisional trading
5. The executive share scheme incentive
6. Directors
7. The forward trading outlook

Before I begin I would like to formally welcome Trevor Hall to his first annual meeting as THL's Chief Executive. Trevor joined the company in June, and has spent the time since then familiarising himself with the business and constructing a roadmap for the future.

Given that Trevor has been with the company for only a short time, my comments will include the review of operations for the 2006 year. This will leave Trevor free to comment on the future from the management perspective.

The group's trading results

As reported to the market in August and subsequently in the Annual Report, the group earned a Net Profit After Tax of \$11 million for the year ended 30 June 2006, compared to \$15.3 million for the 2005 financial year.

Our results were reported under the newly-adopted New Zealand equivalent of International Financial Reporting Standards, and all the prior year comparatives have been restated to reflect that.

Much of the reduction in NPAT was due to a writedown in the carrying value of Kelly Tarlton's following an impairment test to assess the value in use of the assets. This resulted in a charge against fixed assets in the current year's account of \$5.5 million, which reduced our reported NPAT by \$3.7 million.

We maintained our strategy of reinvestment in assets to remain at the top end of the New Zealand tourism market. Capital expenditure for the year was \$57 million, compared with \$92 million in the 2005 year (which included the Fullers Bay of Islands acquisition), and was related mainly to normal rental fleet replacement.

A small acquisition was made during the year – of the Milford Sound Underwater Observatory, which is now included as part of the Red Boats operations at Milford.

Dividend

A final dividend of 6 cents per share was paid on 27th October 2006. With the interim dividend of 5 cents per share, total dividend for the year is 11 cents per share, which was the same as for the previous year.

THL's dividend policy is to pay a dividend that provides certainty of income unless the Directors view future profitability as likely to be reduced on an ongoing basis. Dividends are based on a payment of at least 60% of Net Profit After Tax after adjusting for one-off items, with an objective to match or exceed the prior year.

The Trading Environment

As you might recall, the New Zealand dollar remained at a relatively high level for most of the year. The exchange rate is one of a number of factors that can affect the flow of international visitors, along with the emergence of new short-haul regional destinations and shifts in consumer preference. The exchange rate can also affect the duration of visits and the related spending – particularly on leisure activities and attractions. These are all factors that merit close attention by our industry, and support the overall need for continued investment and strategic reassessment.

Additional factors in the 2006 year were substantial increases in fuel and energy prices and the flow on impact on airfares into New Zealand.

The number of holiday visitor arrivals into New Zealand declined by 4% during the June 2006 year, with significant declines from key markets including Japan and the United Kingdom in particular.

Tourism arrivals into Australia continued to improve in the June year from our key markets Germany and the UK. These increases, coupled with good domestic growth, reflected in a strong revenue increase in our Australian Rentals business.

Divisional trading

I'll just briefly review the performance of each part of the business...

The **Rentals** division achieved operating earnings (Earnings Before Interest and Tax) of \$24.7 million, compared with \$26.8 million in the 2005 year.

Our Australian Rentals business had a good year, lifting revenue by 13%, and fleet utilisation increased from 65% to 72%.

As a result of development over the past three years, the combined Australia / New Zealand domestic market now provides an increasing share of Australian Rentals' total customer

base. This reduces exposure to risk associated with long haul markets such as Germany and UK – risks that arise from fluctuations in long haul airfares and exchange rates.

Revenue from New Zealand Rentals decreased by 3%, with growth in motorhome and disposal revenue offset by a decline in car revenues. The growth in motorhome revenue was led by the Backpacker brand, through competitive pricing, a compelling brand offer and an increased focus on value-based travel in the youth and adventure market.

CI Munro was affected by the downturn in New Zealand tourism and the resulting softness in build requirements, and made cost reductions to adjust to the lower demand.

The **Coaching** division had a much improved performance in the second half, following a loss in the first half. Operating earnings were \$1.6 million compared with \$1.9 million in the 2005 year. Revenue was down 7% to \$36.6 million.

Great Sights and Johnston's Coachlines were affected by the decline in arrivals from Japan. Johnston's was also affected by the dramatic increase in fuel costs. Both businesses took steps to reposition – Great Sights through the launch of an online booking engine and strategies to increase bookings from other parts of Asia, and Johnston's through cost reductions and targeting of new business for the 2007 year.

Kiwi Experience had a very good year, with earnings and revenues up substantially. The relaunch of the Kiwi Experience brand, the introduction of a new website booking facility and ongoing refinement of product and service delivery were the key factors. Airbus, Tourist Transport Fiji and Feejee Experience all had good years with increased earnings.

The **Attractions** division increased revenue by 13% due to the inclusion of a full 12 months of revenue from Fullers Bay of Islands. Attractions had increased costs in fuel, power and depreciation from necessary capital expenditure, and had a break-even result compared with operating earnings of \$8.2 million in the 2005 year.

Excluding the writedown in relation to Kelly Tarlton's, operating earnings were \$5.5 million.

As you will probably be aware, the Waitomo Glowworm Cave facilities suffered fire and vandalism incidents in December 2005, and Kelly Tarlton's was flooded during a power outage in early June 2006. The recovery from these incidents has gone well with the assistance from our insurers, with improved facilities already established at Kelly Tarlton's and a longer-term redevelopment plan taking shape for Waitomo. We were able to minimise the short-term disruption to trading in each case, although the impact was still significant.

The highlight of the year was the establishment of the Ruakuri Caves operation in July 2005. Ruakuri offers customers the opportunity to view one of the most remarkable cave formations in the world.

Fullers Bay of Islands traded down on the previous year, with the impact of lower visitor numbers, a new competitor and fuel cost increases. The company took delivery of a new 49-seater coach for its Cape Reinga product, and is about to introduce its new \$2.5 million car ferry providing a significant increase in tourist capacity.

Milford Sound Red Boats was less profitable due to the reduced number of Japanese visitors and the loss of one major client. A highlight was the purchase of the Milford Sound Underwater Observatory, which was combined successfully with the Red Boats operation.

The executive share scheme incentive

As discussed in the Annual Report, the Directors have resolved that a Long Term Share Scheme incentive programme be introduced for the Chief Executive and nominated senior executives. The Directors believe this scheme will benefit both shareholders and executives

by providing an incentive to achieve long-term share price appreciation, whilst ensuring minimal dilution for shareholders.

The scheme involves the issue of redeemable shares to the executives at a price of \$1.90, which was the share price at the date of issue of the shares on 22 September 2006. These shares will be held in trust for the executives and will be able to be fully paid up after a minimum of three years, at a rate of one third of the shares each year.

The shares will be paid up at issue to 1 cent each. Until they are fully paid up they will carry no entitlement to dividends other than in proportion to the 1 cent paid.

The total number of shares issued under the scheme is 2.52 million. This represents 2.6% of the company's issued capital.

As part of the scheme the executives are required to purchase, on-market and from their own resources, ordinary shares numbering at least 15% of their entitlement to redeemable shares; and to hold those ordinary shares in their own names, or in an entity controlled by them.

The executives will gain from the share scheme if THL shares appreciate by an amount greater than the normal dividends paid out during the period prior to their acquisition.

Directors

Another item on our formal agenda is the election of directors. Two Directors resign in accordance with the company's constitution, and offer themselves for re-election at this meeting.

Firstly... Rick Christie, a non-executive director who was appointed to the company in 1998. He is chairman and/or a director of several companies and industry boards, including AgResearch, EBOS Group, the government's Growth & Innovation Advisory Board, Wakefield Health, Provenco and the New Zealand Pork Industry Board.

Rick is based in Wellington. He chairs THL's Audit & Risk Committee, and is a member of the Remuneration & Nomination Committee.

Secondly... David Cushing, who has been a non-executive director since June 2004. Based in Christchurch, David has a record of proven business experience initially as an investment banker and more recently as a director of a number of New Zealand companies, including Wakefield Health, H&G and Rural Equities. David's family interests also own 9.5% of THL.

Rick and David will each speak briefly when we deal with the relevant resolutions.

Your directors are mindful of the ongoing need to maintain a correct skill mix around the board table, to ensure that management is receiving the most appropriate and relevant input to assist in their delivery on the company's strategy – and also to ensure that best practise governance standards continue to be met.

Now that Trevor has had the opportunity to review the businesses and develop his strategy, we will be reviewing the board composition early in the new year to ensure that we have the appropriate skill sets, and potentially to appoint a further non-executive director to fill the position vacated on Joan Withers' retirement last year.

The forward trading outlook

I'd like to give you a brief indication of the Board's view of prospects for tourism and the company...

International tourism generates more than 80% of THL's revenue. The long-term outlook for New Zealand tourism remains very positive, with growth opportunities in several sectors. New Zealand retains a strong international tourism brand, with appeal to a wide range of visitor segments. Australia, which generates 30% of our revenue, also has a strong brand and an inbound tourism sector two and a quarter times as large as New Zealand's.

To illustrate the overall strength of our position, let me summarise the findings of a recent survey on perceptions among international travellers, published under the name "Futurebrand."

In this survey, 1500 travellers rated New Zealand top of the list in two categories – "Best natural beauty" and "Best outdoor activities and sport." The "Best overall brand" – Australia. So THL operates in two of the best branded travel destination markets in the world. It follows that our task is to build on and exploit these advantages.

In the short term, all of THL's divisions will be influenced by a number of factors including visitor numbers, high fuel costs and airline surcharges. There might be some offset if the New Zealand dollar remains at levels slightly below those of the 2005 year.

First quarter trading has been on budget. This is traditionally our weakest trading period in New Zealand. Whilst revenue is lower than for the same period last year, this is mainly due to lower trading by CI Munro, with the motorhome build for Rentals being reduced to increase utilisation.

Results for October and the forward book into the start of the high season indicate a six months trading position in line with last year's result of \$4.2 million Net Profit After Tax.

Booking trends continue to shift into the second half of the year. At this stage we expect a trading result for the full year within the range forecast by analysts – that is, of \$15 million to \$18 million Net Profit After Tax.

We do expect that there will be some one off costs incurred in the change process being driven by the Chief Executive, which will be in addition to this. These will be dealt with by Trevor in his comments.

This is an appropriate point at which to make a couple of observations on the strategy that Trevor will outline. Firstly, it has been developed in conjunction with the Board and naturally has our full support. Secondly, it is focused squarely on our customers – It's about driving growth by bringing the business closer to the customer... through refreshment of our brands, investment in distribution channels and streamlining of back office functions. I think you'll be impressed by the thinking behind it.

Finally, I would like to take this opportunity to once again thank all staff for their efforts during the year in promoting THL and the countries we operate in, and in providing our customers with great holiday experiences.

I will now hand you over to Trevor Hall.

CEO ADDRESS

Hello ladies and gentlemen, and thank you Keith for that introduction. I am delighted to be here today at my first Tourism Holdings Annual Meeting.

As Keith mentioned, I have been involved in tourism for most of the years since the early 1980s. Since I rejoined the industry just four months ago I have been asked

many times about my impressions – what has changed, what has stayed the same and where is the industry headed?

I'd say that four issues really stand out to me and I will talk about each of them during this address:

1. Growth
2. Product Diversity
3. Technology, and
4. The impact on the industry of the importation of second hand vehicles

Looking firstly at the issue of growth ... back in 1983 we thought tourism was a big industry that needed noticing. 20-odd years later, our international visitor numbers are more than four times the 1983 level, at well over two million and reaching towards three million. Now, tourism is rightfully New Zealand's leading single export industry and largest source of employment, and is worthy of careful development and protection going forward. It is a key requirement that the industry continues to grow in a sustainable direction and its value to our economy is clearly understood.

As you can see, there has been almost constant growth, but it has been lumpy. This is the reality of tourism – it is subject to macro impacts, which can be positive like *Lord of the Rings* and the currency when it is weak, and negative like SARS, the currency when it is strong, and the emerging threats to global security.

My second issue – product diversity – has come about as regions and tourism companies have continued to expand their tourism product lines. This is an excellent development.

This product growth and diversity is well suited to THL's product mix as our transportation businesses are used to transport hundreds of visitors every day.

The third issue on my list is technology. The technology-driven change in distribution – or more broadly, the way we interact with customers – is probably the single biggest impact on tourism over recent years. This is a subject I will return to later – particularly in regard to this company securing its future via thoughtful and appropriate use of IT.

Last of the four on my list was the importation of second hand vehicles. The variable quality of these vehicles, imported in very large numbers over the past decade – along with their negative impact on our environmental positioning, product safety and product quality – is cause for concern.

I'll come back to some of these points in due course... but before that I would like to take you on a quick spin around our company, and outline to you some of the great product innovations and changes we have been making to our line-up over the winter months.

Starting in our Attractions business, where the team have been busy with a range of new products and marketing initiatives...

In the Bay of Islands, Fullers has had a significant focus on change in the past 12 months, and a lot of hard work is now coming to fruition with new products, product enhancements and significant investment in customer relationships.

There was strong feedback from local agents that Fullers needed to assist customers with a local transport option. The solution is a smart, convenient shuttle van service operating throughout the year.

Fullers has exclusive commercial landing rights to the outstanding Urupukapuka Island. As part of our extended range of products this year we are dedicating a vessel to transport

passengers to this iconic island to enjoy the pleasures of island life in the bay. Whether it be for an hour or a day, there are plenty of activities to enjoy and multiple options for a quick return voyage.

The original Cream Trip has been revamped to include new options, and at an even more compelling price. Feedback has been very positive on the new and enhanced Cream Trip product.

Another totally new product offer is the Sunset Cruise. This product will enable customers to enjoy a leisurely cruise on the Bay before dinner throughout the summer season. It is very competitively priced, and targeted at the Free Independent Traveller (or FIT) market – clients looking at a different evening and dining experience.

Now on to Milford Sound, and the Red Boats...

The launch of the Encounter Cruise is the most significant change in years to our Milford line-up, and has had a positive reception within the local market. The *Lady Bowen* was refurbished last year and is a wonderful way to enjoy this unique New Zealand product.

The Encounter Cruise has been developed by our team in Milford to create a true sense of what makes Milford one of the amazing natural wonders of the world.

We also recently purchased Milford Deep an ideal product extension to our cruising product range.

This product also targets the FIT market, and enables a significant product differentiation from other cruise operators.

At Kelly Tarlton's.... Following the flood in June this year we have had to rebuild nearly a third of the attraction. The tunnel, foyer tank display area, education space, interactive room, retail area and office space were all affected severely and have had major restoration work.

The result is a much improved look and feel in some areas, whilst other areas such as the foyer tanks, retail area and new Aqua Cinema provide an enhanced experience for all customers.

Kelly Tarlton's has had a renewed focus on attracting customers through using the core attractions as a base product, with exhibitions to enhance and renew interest

Following the very successful Shark Attack exhibition in April and May, Freaky Fish has provided an opportunity to relaunch Kelly Tarlton's after the June flood, and provide an insight to the great mysteries of the deep.

We now come to the Coaching division....

Developments in Airbus include four new vehicles introduced into the fleet, and the NavMan GPS monitoring system rolled out to hostels and hotels with SMS capabilities.

In Great Sight, the Hanmer Springs product offering has been expanded to include a new spa and pamper option, targeting the up-market traveller.

The Christchurch City Highlights tour has been expanded to include the option of experiencing the Hagglund Ride at the International Antarctic Centre.

Also offered is free transport drop-offs for passengers who have purchased certain Great Sight tours. This transfer is provided by THL's Airbus service.

In Johnston's Coachlines, seven new coaches are currently being introduced – six 5 star and one 4 star plus – to support some new series touring customers including Globus and Grand Circle.

In Kiwi Experience, the Student Travel Association Global Agreement has been confirmed and signed, and our Milford product has been rebranded and relaunched as the Milford Explorer

In Fiji, a Great Sights Navala Tour has been launched, and the Feejee Experience Hotel Hula Loop was launched on 1 April, giving 'flash packers' the option of choosing accommodation in hotel-style rooms rather than dorm beds.

InteractNZ is a small luxury coach brand developed during 2006. The concept is to target travellers who like the feeling of independence, but also enjoy the company of others in a small and more personal setting. InteractNZ coaches have 21 seats – individual reclining leather seats – a built-in barbecue, an awning, DVD facility and so on. This business has already contracted a major series tour customer.

Turning now to the Rentals division...

Maui launched a new website on 1 November that complements an online booking facility launched in March 2006. More than \$7.7 million has been taken via this channel to date, across all of our brands in both New Zealand and Australia.

The new Britz website is under way and will be launched 1 December 2006. Both this and the Maui site have been designed to increase the 'stickability' of customers and differentiate Maui and Britz from the multitude of other campervan sites in the online space.

The Rentals business has also undertaken a number of branch makeovers. As a result of feedback from customer research in 2005, we have refreshed the look and facilities at all 11 Australian branches to enhance the customer's experience and better meet their needs.

In New Zealand, the makeover of the Auckland branch, completed in October 2005; the installation of a new sleek Airport counter in Queenstown, opened in June this year; and the Christchurch branch makeover, to be completed this month.

Rentals New Zealand has also undergone a service delivery review, with the outcome being improved service delivery and operational efficiencies. 100,000-plus customers will visit the four branches this year.

We have also made a number of Product Extensions in the Britz business, including...

The Britz Camper, which will be introduced in Australia in March 2007 and launched to the trade at ATE [the Australian Tourism Exchange] in May. In New Zealand, we will launch the Camper to the trade at TRENZ, the major tourism industry convention, in May and it will be introduced to the market on 1 October 2007.

Also to be released in Australia – in January 2007 – is the Britz Voyager – a 4-berth campervan without toilet and shower. This vehicle is based on the Toyota Hiace Super Long Wheel Base.

Back in New Zealand, the Adventurer four-wheel drive Landcruiser-based Campervan is to be launched at TRENZ in May, and introduced to market on 1 October 2007.

CI Munro has had a big year of development, with a number of introductions.....

The Road Villa caravan – 27 foot 3 inches long, now our largest caravan, with separate toilet and shower, larger kitchen and living areas. This is designed to compete with Jayco, which tends to sell larger caravans. We had orders in hand for six Road Villas before they were even launched. Also introduced.....electric brakes on caravans – CI Munro is the first volume manufacturer to do so in New Zealand. And fibreglass composite walls are now on trial with Maui Australia and soon Maui New Zealand. These provide savings in weight and costs over current wall structures used in Maui, with big advantages from the ability to glue the structure together in production.

The Alko caravan chassis has been introduced and is about to go on test prior to launch in New Zealand next March. We will be the first manufacturer to introduce these in Australasia, providing weight and strength benefits which we will maximise via a marketing campaign.

All our design work is now carried out on a computer aided design system, rather than the historical method of physically building a one-off prototype. This change linked to investments in modern manufacturing will provide for improved engineering quality and repeatability.

So that... as I indicated at the start... has been a quick tour of the company. I hope it has given you a sense of what is a very wide range of initiatives and innovations aimed at enhancing the performance of the company by upgrading our products, facilities and processes.

Now I would like to move on and talk about some of the immediate challenges in front of us.

At the forefront I put the trends in information technology – particularly the ongoing and rapid change in distribution and the impact that the Web is having on consumers purchasing travel.

We are seeing the marketplace change before our eyes. THL needs to be at the forefront in offering consumer choice in purchase points whilst continuing to support and focus on our traditional Agent and Wholesale networks.

It is no longer enough just to operate an information website with an email link – dynamic pricing and availability is a growing requirement, as is solid understanding of social interaction sites such as TripAdvisor / IgoUgo / Myspace / You Tube etc.

THL currently is not well positioned for the change occurring in new media distribution channels. We have started working hard to define our direction. There is a need to lift our investment in the Web environment, and connectivity to our reservation and IT system is a must. Speed to market will be a key driver of business growth, as is speed of change to compete with ongoing innovation. It is critical that THL moves rapidly to an IT platform that supports these two key market drivers.

The second major challenge relates to industry issues. We need to take a strengthened advocacy role in the industry, to help the industry to think outside the traditional square. I would like to think we could take a role in encouraging a focus on pricing and yields that maintained a required return on capital, which lead in turn to quality reinvestment and an ongoing lift in product quality.

We offer very good value on the global tourism stage but often some sectors of the industry price well below the ability to replace assets at the end of their life.

Competition is healthy of course, but a question to ask is, do we spend too much energy competing domestically when our real challenge is competing destinations.

To give an example, code sharing in the winter on some coaching product and boating operations would be a good first step in underpinning an increase in profitability – for THL

and the industry generally. We would be very interested in positive discussions on how the off season could be better managed by the industry.

The third major challenge relates to the role of government in supporting a business environment in which tourism can trade profitably and contribute to society.

We certainly welcome the government's policy direction to address issues of sustainability and environmental responsibility. Quality and sustainability are key drivers of a secure tourism future, and tourism is the country's largest export earner, producing 9 percent of the country's GDP.

Nevertheless, as a nation we continue to undermine our main export industry every day by the continued importation and use of old, end-of-life vehicles – often driven by small undercapitalized companies or individuals with scant interest in sustainability, or even legal compliance. We ask the Government to think hard on the medium-term risk of this policy and limit the age of imported vehicles – or at the very least, increase enforcement so that our visitors are given a quality experience.

As a large transport company we would like to start exploring the use of hybrid vehicles, but competition from aged imported vehicles prevents that logical enhancement of our product range. As the New Zealand government starts to form a more cohesive strategy around climate change, one must ask where is the logic in importing old, end-of-life polluters for our pristine tourism industry.

Some urgency is also required in government policy that would enable the tourism industry greater access to seasonal service workers. In a recent speech in Wellington, the Immigration Minister spoke about the goal of ensuring that New Zealand has the skills, talent and labour it needs for economic transformation. Again, we would support that direction. A flexible supply of labour and skills is a key requirement if visitor arrivals are to continue to grow at the same level as in recent years. We are a long way short at the moment – some reports indicate that by 2011 we will be tens of thousands of workers short in our industry.

And so to the final part of my talk, in which I'll cover some recent strategic and structural changes to the company.

In early October I outlined a strategic direction to the Board, and over the past few weeks I have been making some changes to put the foundation in place for THL to move forward.

As foreshadowed in the 2006 results announcement and the annual report, there has been a comprehensive review of our operations, structure and strategies to ensure we are well positioned to take advantages of future opportunities.

Currently, THL has more than 30 brands, and as a result we struggle to achieve a good understanding by the market and customers.

To address this, the company is splitting into four distinct, branded operating companies... each fully focused on its market segment and customer groupings. These four operations will be supported by a centralized Project and IT resource charged to create back office efficiencies and future-focused technology solutions. These will reduce our time to market, help us to take advantage of emerging distribution and marketing trends, and provide quicker integration when we make acquisitions.

The Four Companies will be Rentals, CI Munro, KX Group and the Tourism Leisure Group

Rentals Australia and New Zealand will function as one company. Its major focus over the next 12 months will be to address the demand from consumers for an information technology platform that is more user-friendly and directly accessible. In general terms, our platform will

become more dynamic in nature, with growth planned in both business-to-business and business-to-consumer connectivity.

We will also look at ongoing expansion in the range of products offered, particularly for the Britz brand. Product quality and delivery advancements will remain at the forefront, as well as ongoing information gathering and research on our customers.

Our Britz, Maui and Backpacker brands continue to grow well in both the domestic and international markets, supported by an established distribution channel. Ongoing investments in these brands, with more product development linked to solid investment in our technology platform, will enable us over time to consider expanding one or more of these brands to other large motorhome or rental vehicle markets.

CI Munro will also receive further investment to modernise manufacturing systems and processes, to lift our scale and diversify our product range.

Greater use of modern manufacturing techniques will enable CI Munro to re-establish its presence in New Zealand's growing caravan market whilst continuing the ongoing supply of motorhomes to both THL Rentals and other companies. It is pleasing to note that our recently revamped caravan offering is enjoying renewed demand, and that the caravan industry is once again a growing market segment in both New Zealand and Australia.

The KX Group, Kiwi Experience is one of our more successful and dynamic brands, linking exceptionally well to the youth and backpacker market. Our plan going forward is to further broaden this brand into other youth/backpacker product zones.

A comprehensive study will start shortly on positioning the brand more widely in the tourist transport and rentals sector. This is a market that is very contemporary and web savvy in particular, and we run the risk of missing this market with some of our traditional brands. We feel the Kiwi Experience brand provides more revenue generating opportunities in some of our vehicles, as a preference to disposal.

Now to the Tourism Leisure Group

With brands too numerous to repeat here, our companies operating in the attractions and coaching sector will merge into one entity. Our working title for this group is the "Tourism Leisure Group". This grouping, over time, will be positioned under one hero brand, one leadership team, one profit and loss account and one technology platform.

The new management team will start developing a new customer-focused strategy with a strong marketing and local regional focus, allowing us to provide a tourism supply chain that captures significant competitive advantage.

The change will also provide greater brand strength – allowing deployment of a hero brand that will provide national linkage whilst indicating regional diversity.

This is a significant change in the way we have operated as a company. Some time next year, after the appropriate process THL's Coaching and Attractions assets will emerge under this one single unifying brand.

So just to summarise the structural changes... the four operating divisions will be THL Rentals, CI Munro, KX Group and the Tourism Leisure Group.

We are making these changes for the following reasons:

- To simplify our brand structure and increase the overall market power of our branding
- To increase our recognition and focus on distinct customer groups and segments

- To improve our leveraging at the group level of the customer opportunity – or, to put it another way, to enhance the overall product and service package we offer to customers
- To unify our information technology platform and thus improve our distribution
- To provide greater back-end efficiencies
- And over time, to position the company to grow.

I would now like to introduce the team that will lead this growth.

Ian Lewington - Chief Financial Officer
 Chris Rusden - Chief Operating Officer Rentals Division
 Grant Webster - Chief Operating Officer Tourism Leisure Group
 Paul Hebbard - General Manager, CI Munro
 Quinton Hall - Chief Information Officer

In conclusion... tourism has a very exciting future in both New Zealand and Australia. To move the company forward, some extra investment is required to catch up in areas where investment has been lacking in recent years.

Our company's assets are, in most cases, in fine shape, but the time has come to make some increased investment to position us for the future. We are some way away from a detailed number for this investment, but believe it to be in the vicinity of 6-7 million dollars over the next 30 months. Most of this spend will be deployed in modernizing CI Munro, rebranding, refreshing brands and extra investment in IT to enable the company to have a more assured future in the online environment.

Failure to make this investment would put the company at risk of missing the significant changes now taking place in tourism marketing and distribution. We intend to note this spend as one-off, non-recurring items over the next two financial years. As part of the change programme, we will also shift our corporate office in Shortland Street to share facilities with one of our operating divisions.

I will be happy to deal with any questions you might have at the allotted time later in the meeting. Thank you.

GENERAL BUSINESS

The Chairman stated that THL had received 31,348,852 valid proxies representing 31.9% of the votes able to be cast.

a. **Receipt of Report of the Directors, Financial Statements and Report of the Auditors**

The Chairman moved that the financial statements together with the Annual Directors Report and Auditors report for the year ended 30 June 2006 be received by the meeting.

Moved by: Keith Smith
Seconded by: Michael Erk

CARRIED

Peter Tillman welcomed Trevor Hall. He said he worried about the total company's image, and queried whether the intention was to use the THL brand. He said there seemed to be a lot of confusion about the THL brand, and that it wasn't associated with the products on offer. Mr Tillman said there is a need for an overall brand image. Mr Hall said management are

certainly starting to look at THL's brands in earnest, and the THL total company brand is forefront in that process.

b. **Election of Directors**

The Chairman advised that in accordance with THL's Constitution, Rick Christie, and David Cushing each retire by rotation and being eligible, offer themselves for re-election. Mr Smith asked each Director up for re-election to briefly speak.

The Constitution requires that each of the motions be put separately.

Re-election of: Mr Rick Christie

Moved: Keith Smith **Seconded:** Graham Gosney **CARRIED**

Peter Tillman questioned Mr Christie as Chairman of the Audit and Risk Committee, had the policies regarding separating key advisor roles of tax and audit had been implemented. Mr Christie advised that policy had been in place for some time now as the Company did not want any conflict of interest to arise. Mr Keith Smith confirmed tax, internal audit and external audit were all carried out by separate advisors. Mr Tillman congratulated the company on implementing the policy.

Michael Erk noted Mr Christie's comment regarding his interesting years on the Board. Mr Erk said many shareholders would take the view they had also been not very profitable. He said that he was pleased to see a new broom being taken to the Company, but said he meant that not to be considered disrespectful to the previous CEO.

Re-election of: Mr. David Cushing

Moved: Keith Smith **Seconded:** Peter Tillman **CARRIED**

Peter Tillman asked Mr Cushing, as a former Investment Banker, what were his views on THL hedging against foreign exchange movements, interest and fuel hedges. Mr Cushing said management do a lot of work in this area, and he feels the Company is well covered and risks are properly reviewed and considered. Mr Lewington said hedging was covered under the treasury finding policy. THL do hedge to achieve certainty of interest rate and some foreign exchange, and follow the fuel pricing to ensure the appropriate treatment.

c. **Auditors**

The only function of the meeting in relation to the Auditors was to record the re-appointment of PricewaterhouseCoopers as Auditors for the company and to authorise the Directors to fix the remuneration of the Auditors for the ensuing year.

Moved by: Keith Smith

Seconded by Peter Tillman **CARRIED**

f. **Questions from Shareholders**

Brian Kennerley queried where the Waitomo Glow worm Caves building restatement following the fire was at. Mr Hall advised it is an extensive process involving looking at options to take THL into the future. Management are proposing a significant enhancement from the prior facilities to broaden the experience. It will be a 12-18 month rebuild.

Peter Tillman asked if management have a contingency plan in place regarding the rugby world cup if the government decides to put a tax on Auckland arrivals. He said management

must look to the future and start selling New Zealand as well as THL for the world cup. Mr Hall replied that management are already engaged in planning for the rugby world cup.

There were no further questions from the Shareholders. Mr Hall introduced other THL staff present at the meeting that had not already been introduced and invited shareholders to talk to them after the meeting.

There being no further business the meeting closed at 4.30pm

MINUTES of the Annual Meeting of Shareholders of **Tourism Holdings Limited** were confirmed this ____ day of _____ 2006.

Chairman