



# moving forward together

INTEGRATED ANNUAL REPORT 2021



The Board acknowledges its responsibility to ensure the integrity of the Integrated Report. The Board recognises that integrated thinking has become more critical than ever as we do not only need to survive, but we have to have the right systems in place to thrive again, including the infrastructure, human capital and stakeholder networks. The Board has applied its mind to the Integrated Report and believes that it addresses the most material issues, presents fairly the integrated performance of the organisation and its impacts in accordance with the principles set out in the International Integrated Reporting Council (IIRC) Framework. The Integrated Report has been prepared according to the IIRC guidelines. The Integrated Report was approved by the Board on 25 August 2021 and is signed on its behalf by:



**Rob Campbell**  
Chair



**Rob Hamilton**  
Chair of the Audit Committee



# year in review

As at 30 June 2021

The COVID-19 pandemic had a significant impact on **thi**'s financial performance this year, yet **thi** has remained determined, defended the business and succeeded in creating new opportunities. We have improved our domestic demand generation, expanded our vehicle sales capability and expanded new revenue streams. These are benefits and new skills that will continue to support our business in the future, even once international tourism returns.

There are likely different challenges ahead and we are ready for them. We are preserving what works well, doing things better and looking around the corner. Our Future-Fit business is on the right path leading us to the right destination.

## SAFETY OF STAFF AND CUSTOMERS

Safety is never negotiable within our business, but the risk of COVID-19 brought a new set of trials for our operating crew. In particular, our US team had to face the challenges of living and working with COVID-19 on a daily basis and we are proud of the way our team took care of one another and our customers and ensured that we had a COVID-19 free, safe workplace.

## US 'SUMMER OF THE RV'

In the US, the summer of 2020 saw a rush of interest in RVs as a safe form of travel. With strong support through outstanding public relations and social media campaigns, domestic demand surged and underpinned a strong result for the US business.

## LAUNCH OF DIGITAL PRODUCTS

The launch of our new Telematics product and new fleet management, booking and pricing system was the culmination of much hard work and bespoke development over many years. It is exciting to have these products live and even more exciting to see what is planned in the next phase of development.

TOTAL REVENUE

\$359M

(2020: \$401M)

-10%

SALE OF GOODS

\$229M

(2020: \$143M)

+60%

NET PROFIT AFTER TAX (NPAT)

-\$14.5M

(2020: \$27.4M)

-153%

ORDINARY NPAT\*

-\$14.3M

(2020: \$20.0M)

-171%

NET DEBT\* AT YEAR END

\$49M

(2020: \$128M)

-62%

EBIT

-\$8.3M

(2020: \$48.6M)

-117%

EBITDA

\$40.4M

(2020: \$111.7M)

-64%

TOTAL FLEET AT YEAR END

4,242

(2020: 5,815)

-27%

41% ▼

Reduction in operational carbon emissions against (updated) baseline year FY19

126% ▲

Increase in domestic bookings globally

58 ▲

Number of new employees joining Action Manufacturing in CY21

52% ▲

Growth in New Zealand retail and workshop revenue

\* Net debt refers to Interest bearing loans and borrowings less cash and cash equivalents

\*Excludes the following non-recurring items:  
• An accounting gain of \$1.2M (inclusive of tax) from the termination of the lease for the Mangere branch; and  
• A fair value adjustment loss of \$1.4M in relation to the original 50% shareholding in Action Manufacturing

# kia ora koutou katoa

## Dear Shareholders

On behalf of the Board, we present the 2021 Integrated Report and accounts for the year ended 30 June 2021 (FY21).

This year we have combined the Chair and CEO report. We strive to make everything we do simple, clear and effective. This part of the report is no different.

As **thl** has produced a loss for the year, is not currently paying dividends and given that the opening of international borders for leisure travel remains uncertain, it is appropriate to thank our shareholders for their continued investment in **thl**. Shareholders today no doubt see the future **thl** in a similar manner to the Board and Executive team; a future where **thl** succeeds for all stakeholders in a Future-Fit manner. Our way of operating, our balance sheet, our market position, people capability and industry outlook don't guarantee it, but they do create the right conditions.

Please read this report and associated materials to inform yourself and question the business. We look forward to engaging with you at the Annual Meeting in October.

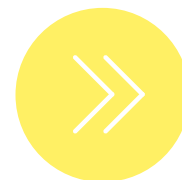


Rob Campbell  
Chair

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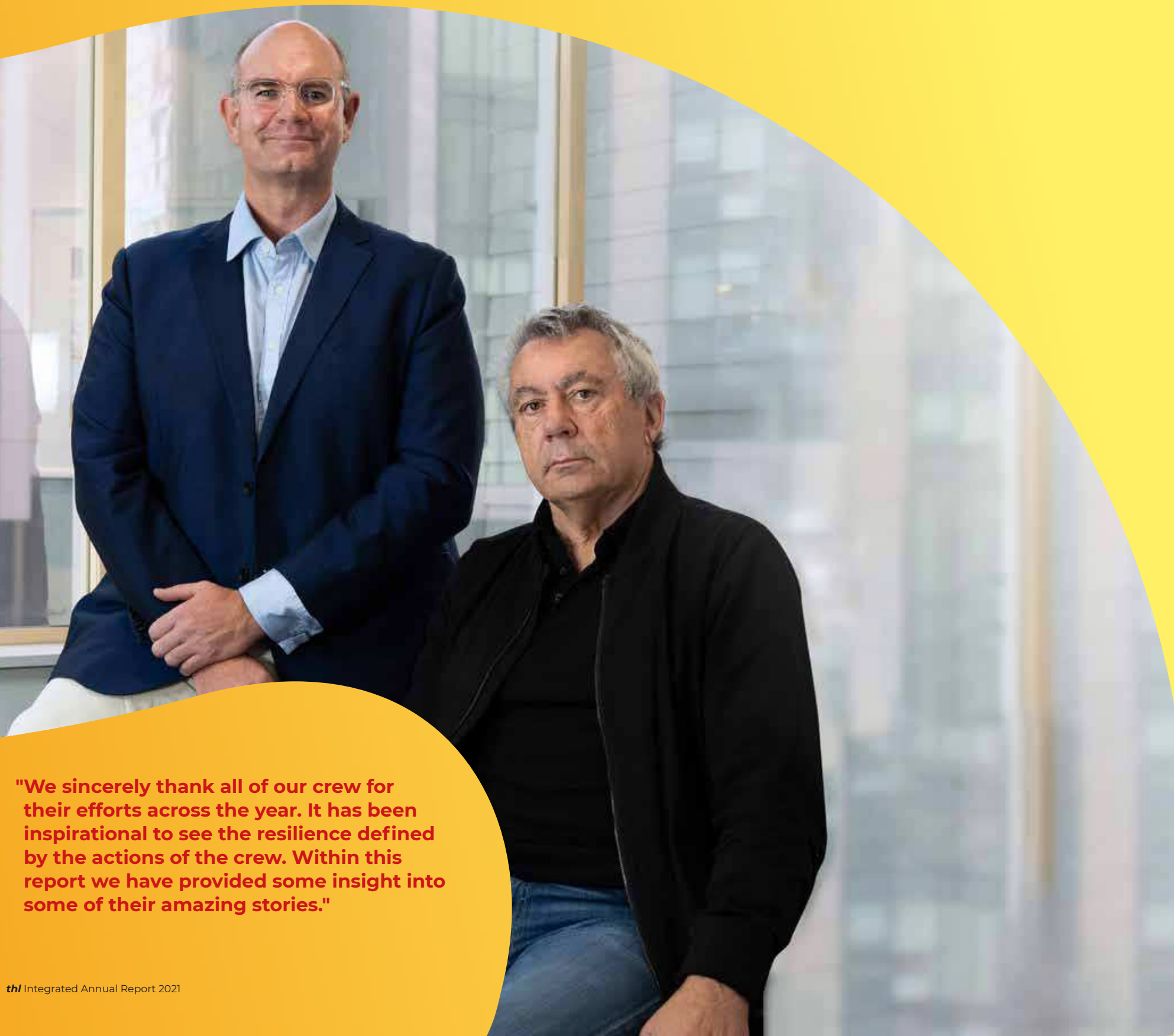
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The Future-Fit Business Benchmark used by **thl** was developed and is managed by the Future-Fit Foundation, a UK-registered charity. A Future-Fit Society is one which is environmentally restorative, socially just and economically inclusive. This can only be realised through a rapid and radical shift in the way our economy works.

# moving forward together



"We sincerely thank all of our crew for their efforts across the year. It has been inspirational to see the resilience defined by the actions of the crew. Within this report we have provided some insight into some of their amazing stories."

## Chair and CEO letter

Rob Campbell and Grant Webster

**We have been living with the impacts of the global COVID-19 pandemic for over 18 months now, with the tourism industry suffering economically more than most industries. *thl* has survived, is resetting and is taking forward the lessons from the impacts of the pandemic.**

The title of this report, *moving forward together* is not because we are past the impact of the COVID-19 pandemic, but because we have reached the point where we need to reposition again and provide clarity on what's next for *thl*. We have been dealing with the last 18 months in a very responsive manner, but have also undertaken a deep review of our business. With the degree of change in the organisation and the significant cost reductions, we needed to reassess. We questioned - had we missed anything? Had the focus on survival been at the expense of what we need for the future? Had we been appropriately balancing the now and the future? Our conclusion is that there are some activities we need to bring back, some we need to do differently, and some new things we need to do.

This has been deeply challenging. Given that the majority of our businesses have historically been reliant on international tourism, we asked ourselves – is there an existential threat to *thl* as it stands today? We have asked this question from numerous perspectives. The perspectives of an activist shareholder, a climate risk advocate, a tourism believer and a for-profit entity.

We are confident that the answer is that we do have a future. The way we have responded to the challenges of COVID-19 should mean that we continue to have your confidence to use your funds to do the right things as a business.

## We adapt

*thl* started some 37 years ago as The Helicopter Line. The company has adapted over that time, and in recent years has been RV centric, but not RV exclusive. Adaptability is a constant across *thl*'s history. It consistently appears in any survey or conversation on what keeps us progressing as a company. These are traits at the core of *thl* and are demonstrated in one of the fundamental values of the organisation, 'Be Curious'.

These last 12 months have been no different, and *thl* has continued to demonstrate its adaptability. We have sold over 2,900 RVs through an effective and profitable RV sales business. We buy and build well from both a quality and value perspective. We have developed a reasonable domestic rentals business within each of our regions. We have developed bespoke fleet management software. We are operating a specialist vehicle design and manufacturing business, and we are manufacturing refrigerated truck bodies. We have developed, and are continuing to develop, numerous new revenue streams. We also have one of the strongest balance sheets that *thl* has had in recent times, despite the current headwinds and without raising equity during the pandemic.





### Our people make us who we are

At its core, what makes **thl** are the people. Our crew have had an immensely challenging year. Our frontline crew globally have stepped up, and in the US and UK in particular, have been working in a wider environment with the risk of contracting or spreading COVID-19. Based on all the tracking and tracing we have undertaken, we believe **thl** has been able to steer through this period without being the source of any COVID-19 spread amongst our crew. There have been very strict operating procedures in place; procedures that have made a hard job significantly harder for our frontline crew. Despite this, they have adapted and delivered.

Our New Zealand frontline crew faced record rental volumes during our Get Moving campaign, while at the same time dealing with the fire at our Auckland branch, and two relocations to a temporary, and then a more permanent site. Our office-based crew in the US have worked the year from their homes and in Australia, the crew has dealt with many more lockdowns than have been experienced in New Zealand.

### The state of the RV industry

It hasn't all been negative. The pandemic accelerated the growth of the RV category globally, and the wider industry has dubbed 2021 the 'Year of the RV'. The demand has been driven through RV travel being seen as a self-contained, socially-distanced method of travel, combined with the strong desire to explore the outdoors after being in lockdown for months on end.

This created the conditions for **thl** to have a record vehicle sales year in all countries, far in excess of previous records. The sudden increase in demand and automotive supplier issues, have driven high sales margins globally. The average sales margin across our entire business in FY21 grew by 39% on the prior corresponding period (pcp). While some of this demand growth for RVs will be situational and one-off in nature, a deep piece of research from the US supports the industry view that with the greater proportion of younger buyers and families, we are seeing a structural improvement in the category<sup>1</sup>. At a minimum, there is likely to be a higher base of RV participation than pre-pandemic, even once the 'pandemic boom' recedes.

In addition to the category growth from the 'Year of the RV', we have seen some rental competitors exit or hibernate certain markets. There has equally been a focus across the industry in reducing fleet capacity as a responsive measure to the loss of international tourism.

There are significant price increases within nearly all aspects of the manufacturing supply chain. As with most of the automotive industry, there is a series of issues that have caused capacity constraints for chassis production throughout 2021. These price increases look to be baked in for the 2021 and 2022 calendar years of production. The retail sale prices that we have achieved in all markets in the last 12 months, partly due to supply shortages, will likely remain in the coming year. As a result of these supplier cost pressures, margins are likely to revert to their historical norms at some point in the 2022 or 2023 financial year.

As a customer in the industry, we don't have the information that we would like from suppliers to accurately forecast chassis and motorhome on-fleet dates (or quantum) for the next 12 months. Any impacts to-date have been immaterial to revenue, and we have been able to mitigate through both the relationships we have and alternative supply lines. The largest impact to us today is that we have constrained sales in the US and Australia over recent months (to keep vehicles on the rental fleet and sell them after the respective peak seasons), due to the lack of certainty on the timing of new fleet arrivals. The risk to the business increases over time if the issue escalates, however while difficult, there remains no material disruption to customers today.

### Our journey to Future-Fit

As we have reset, our intention to become Future-Fit and our commitment to recovering with the right fundamentals at the core of our operations, remains as strong as it has ever been. There were several initiatives that we needed to put on hold over FY21 due to resource constraints, not our desire or belief in the actions themselves. The Future-Fit concept within **thl** has taken on its own meaning beyond a simple measurement framework.



The systemic, future-focussed measurement system works better than anything else we have encountered globally, but the cultural impact and mind set change is equally powerful. It is the way in which we approach things in our business; applying a 'Future-Fit' lens.

Our purpose, to create unforgettable journeys, gives us our "why", Future-Fit is the pathway so we know the "what" and it informs our culture and values, so we know the "how".

We are confident that this Future-Fit way of resetting our business will ensure that we are established in a sustainable manner that will enable long-term prosperity for **thl** and all of our stakeholders.

### Our role in the wider community

**thl**, like all businesses operating in a capital market, seeks to make a profit and, putting aside the current global pandemic, we generally do. In the same manner we believe all businesses should, we have to be honest with ourselves and consider where this profitability has come from. In some ways, it has come from the externalisation of costs to the broader environment or community through our footprint. It is a key part of our Future-Fit journey that we challenge ourselves on how we reduce this going forward and what we can do in order to undo that harm.

We look at the business as a whole, considering other impacts on our communities. One significant example in the last 12 months was our New Zealand-based Get Moving campaign. It saw the lowest prices we have ever offered in our New Zealand rentals business, kept cash coming in, generated enough activity and revenue to save jobs within our crew,

and helped to get New Zealanders on the road and generate much needed activity in our regional economies. Compared to fly-in, fly-out travellers, RV travellers are excellent contributors to the regions as they generally spend more time in towns and cities that are further away from the major airports.

The year has seen us engage more closely with some of the communities in which we operate. As a key employer in the Waitomo region through Discover Waitomo, we have worked closely with the community to develop a programme of cultural events, educational tours and other activities that draw visitors to the region throughout the year. Our Discover Waitomo crew have also been involved in conservation work in the region, in partnership with the Department of Conservation. These activities have been made possible with support from the Government through programmes such as the Strategic Tourism Asset Protection Programme (STAPP) and Kaimahi for Nature. We touch further on these initiatives later in this Integrated Report.

These are just some examples of our early steps. Going forward, we know that we need to do more.

### Investing in our future while managing the present

Moving forward together does not mean that we are beyond the challenges that our business has experienced. There is a fine balance between the positivity of the long-term outlook and our focus on the future, and closely managing and responding to the difficulties of the present. We constantly assess this balance in order to ensure that we are reinvesting and generating opportunities for the future without creating undue risk.

The reality is that while the pandemic continues and international borders remain closed, we will, like other tourism businesses, have to reset our expectations on the timing of a 'recovery'. A recovery, unfortunately, implies returning to exactly where you were. The countries we operate in, our customers, our distribution channels and our competitors are all so different now, that we don't use the word 'recover'. We do believe that international tourism will eventually return, but the time it will take and the form in which it will return, are the greatest unknowns. We are investing

in fleet purchases now and for the coming periods. Our decisions are based on a deep assessment of assumptions, and importantly, a clear alternative mitigation plan if markets continue to remain closed to international borders for an extended period.

Throughout the year we have had numerous internal projects to refocus and strengthen our core competency of running an efficient RV rentals business. We certainly have not stood still. To name a few, we have developed and launched our state-of-the-art Cosmos booking and fleet management system in our New Zealand and Australian businesses, and are underway with the adaptation and integration for the US business. We have reviewed and changed the way in which we will be engaging with our global trade partners, and we have reviewed every detail of our customer experience from the first moment they engage with us, to see how we can take the lessons of the last year and improve.

We have also made tactical developments to our business and generated new revenue streams. One example of this is our RV retail accessories offering through RVSC and online in New Zealand. That business segment has seen 58% revenue growth on the previous financial year, albeit off a small base relative to the size of our wider business. This gain has been deliberate. Whilst incremental and not transformational at present, we will continue to grow this business as our international tourism business returns. In addition, going forward in each country we expect that domestic rentals will be a larger part of the business than it was prior to the pandemic, and that is attributable to the work we have put in over the last 12 months through initiatives like the Get Moving campaign, for the benefit of the RV travel category more generally.

We will grow with a different way of operating our distribution channels, a larger domestic market which we understand more effectively, a larger and more competent vehicle sales business, and a much larger portion of other revenue streams in retail and servicing which were previously little more than a small add-on opportunity.

<sup>1</sup> 2021 Go RVing RV Owner Demographic Profile Report



**Beyond rentals, we are manufacturers**

We have taken the opportunity this year to increase our ownership of Action Manufacturing to 100%. This has meant that our long-term joint venture partner Grant Brady, has exited as a shareholder of that business, albeit essentially transferring his shareholding into shares in **thl**. We are very pleased to have Grant Brady as a top 10 shareholder in the business and as a consultant supporting a number of initiatives across **thl**. Grant has been an excellent joint venture partner over the last decade and we thank him for all of his contributions. Chris Devoy, our new CEO of Action Manufacturing, has been with the business since its formation and is highly capable of leading this business through its recovery and the next stage of growth.

We have genuine excitement about the future of Action Manufacturing and have big growth ambitions beyond the RV manufacturing segment in Aotearoa New Zealand and Australia. Our specialist vehicle design team based in Hamilton are true experts in their field, and this business already has a full forward order book of work for the coming financial year. It continues to win new work, both in the public and private sectors, and has been ramping up crew numbers with over 50 new employees coming on in recent months.

As a manufacturer, we are certainly not ignoring the movement towards new, sustainable vehicle technologies. We have been on this journey for some years, first investing in our pilot eRV programme in 2018. RVs specifically pose a difficult challenge when it comes to electrification. By nature, they are heavy vehicles that travel long mileages. RV travellers are particularly sensitive when it comes to range. The idea that you'll have to stop regularly to recharge goes against the fundamental attraction to RV travel, being the freedom to go where you want, when you want, but battery and charging technologies are meeting this challenge.

We continue to be proactive about our future fleet needs, particularly given supply side challenges for electric chassis. We have refuelled our projects focussed on what our future fleet should look like.

This includes the latest views on what the most suited technologies are, be it electrification, hydrogen or the use of biofuels, and how we might be able to repurpose our vehicles.

Our business model relies on us creating more customer journeys through private owners buying our vehicles after their rental life with us. The sales value is a key part of our business model. As such, we are conscious of the potential risk of obsolescence of diesel vehicles as these technologies move toward their inflection point. Our view at this point in time is that the transition will be orderly in this segment, but we will continue to challenge that assumption. If we believed that there was an obsolescence risk for us in the fleet we buy, then we would adapt our purchasing and sales cycle, timeframe for adoption of new technology and our rental fleet age, to address the issue. We are looking well ahead to protect the future business, consistent with the transition to low-emission economies.

**Financial performance**

**thl** had a net loss after tax of \$14.5M in the 2021 financial year. There is no denying that. In business, you can never have a loss and be pleased with it (maybe start-ups aside). However, we do believe that we have managed this loss well within the context and without impacting **thl**'s long-term prospects. On the contrary, we have preserved the optionality to remain an industry leader in each market. While the loss is much smaller than our original expectations some 12 months ago, all aspects of the business only earn their right to exist if they have a clear, believable plan to not just be profitable, but to deliver the appropriate return on capital. Recognising the extent of our losses in the last year, it is a reasonable question to ask, why should anyone invest in **thl** today?

The answer is clear: we consider ourselves the global experts in the effective and profitable management of an RV rentals, manufacturing and sales business.

We have retained the significant intellectual property that we have in that regard throughout the pandemic, and in fact, have further developed and added to it.

We have diversified our business to incorporate a greater domestic focus in each market, therefore strengthening the resilience of our business model. We continue to have a balance sheet that is well-managed, and we continue to have the support and confidence of our lenders through our banking facilities.

We have assessed ourselves within that context starting with the fundamentals. We have looked at our net tangible asset value, incorporating the market value of our fleet that is not reflected in its book value (given that we make a profit on sale). We have also looked at the value of each of our businesses individually to assess the sum of our parts. We have compared those to where our share price sits today. All questions that shareholders would ask themselves. The value of **thl** is underpinned by mobile, physical, desirable assets with values above what we account for them. This, and our market position, we believe gives us the ability to pursue the viable option of growing this business, to achieve our desired returns on capital and to enhance shareholder wealth.

We consider that ultimately, the RV category is on a growth trajectory on a global basis; we have a proven record of sound management and adaptability, and we are a business on a sustainable Future-Fit journey. Looking at all of that, our view is that on a long-term basis there is considerable upside in **thl** performance.

**FY22 outlook**

We consider multiple scenarios for the business and constantly update these to the changing market conditions. The level of uncertainty in market conditions precludes a forecast of overall financial performance for FY22 at this time.

Our current expectations for the first half of FY22 include the following:

- The first quarter rentals performance and forward order book are lower than we expected some months ago. This is attributable to (a) lower rental activity in the US high season relative to last year, (b) the spread of the Delta variant globally creating lockdowns, and (c) the suspension of Trans-Tasman travel.
- Vehicle sales and margins have exceeded expectations for the quarter.

- The current spread of the Delta variant in Australia indicates that there will be ongoing travel restrictions in many states, and in particular in respect of the largest population base in New South Wales. This will heavily impact the Australian result for the first half.
- It is likely that Trans-Tasman travel will remain closed for some months and therefore provide little or no benefit for the New Zealand Rentals and Tourism businesses in the first half.
- The second quarter result for the US business remains unclear and could vary significantly depending on when inbound travel from the UK and Europe into the US opens.

Financial performance in the second half of FY22 remains unclear. There is potential upside on the result for the pcp if (a) domestic travel in Australia fully opens (the trends for April to June 2021 were positive), (b) international travel into the US opens, and (c) Trans-Tasman travel returns to the benefit of the New Zealand Rentals and Tourism businesses.

The recent Alert Level 4 lockdown in New Zealand is not expected to make any material difference to the FY22 result for New Zealand as at the time of writing, however it is not clear how long this will last.

The balance of these factors indicates that a net loss is the most likely outcome for FY22. The quantum of the loss is difficult to ascertain at this point.

Given these current uncertain market conditions, we caution that most analyst forecasts for **thl** at the date of this report are too optimistic for FY22.

**Closing**

Once again we would like to thank all of the **thl** crew for their efforts over the last 12 months. These have been challenging times within **thl**, however despite the uncertainty that continues to exist, we are ready to move forward together.

**Rob Campbell**  
Chair

**Grant Webster**  
CEO





# about this report

Traditionally, annual reports focussed on the financial performance of a business. At *thl* we take a more holistic approach that we feel is more relevant for our stakeholders in today's complex and dynamic business environment.

As this is an Annual Integrated Report aligned with the <IR> Framework, throughout this report you will see references to the 'six capitals': natural, manufactured, intellectual, human, social, relationship and financial. The 'six capitals' are stocks of value that *thl* draws on and transforms into outputs.

In brief, they show that at *thl* we think holistically about creating and maintaining long-term value that is also environmentally restorative, socially just and economically inclusive. To see the six capitals in the context of our business, see our Value Creation model.

The 'six capitals' are stocks of value that *thl* draws on and transforms into outputs.



**Natural capital**  
Includes resources we use such as air, water, land, minerals and forests, solar energy, crops and carbon sinks; biodiversity and ecosystem health; and resources which cannot be replaced such as fossil fuels.



**Manufactured capital**  
Manufactured objects used in the production of goods or the provision of services, including: vehicles, buildings, equipment and infrastructure.



**Intellectual capital**  
*thl's* knowledge-based intangibles, including: intellectual property such as patents, copyrights, software, rights and licences; and our systems, procedures and protocols.



**Human capital**  
Our crew's competencies, capabilities and experience, and their motivation to innovate on, support, implement and improve: our governance framework, risk management approach, ethical values, corporate strategy; processes; goods and services, including their ability to lead, manage and collaborate.



**Social and relationship capital**  
*thl's* social licence to operate; our relationships with institutions and groups of stakeholders including: communities, Governments, suppliers and customers; the ability to transparently share information to enhance collective wellbeing; our integrity, values and behaviours, trustworthiness, brand value and reputation.



**Financial capital**  
Funds obtained through financing or generated by means of productivity.

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# moving



# forward responsibly



## our Future-Fit journey

**A clear destination  
– environmentally  
restorative, socially just,  
economically inclusive**

We remain committed to achieving all 23 Break-Even Goals of the Future-Fit Business Benchmark. Business, society and the environment depend on one another to thrive, which means creating system value to become genuinely sustainable: responsible, regenerative and resilient.

The Future-Fit Business Benchmark is based on science. It helps us understand not only where we are now, but where we are heading and why, so we can be sure we are on the right path, with a clear destination - to become a Future-Fit business.

Capital inputs  
to create value



Future-Fit  
Break-Even  
(BE) Goals

- FF10** Employee health is safeguarded
- FF11** Paid at least a living wage
- FF12** Subject to fair employment terms
- FF13** Not subject to discrimination
- FF14** Employee concerns are actively solicited, impartially judged, and transparently addressed



The right path – prioritising the 23 Break-Even Goals

Our focus this year has been prioritising the 23 Break-Even Goals to address the material challenges for our business and industry at a system level. We used the Future-Fit industry ‘Heat Maps’ for tour operators and automobile retail, and the results of our FY20 Health Check to understand our industry risks and impacts. This ensured we were prioritising goals relating to the highest impact and risk areas for the business.



Our prioritised goals

Priority 1: Tackle the three biggest challenges – where we are off track, the impact is severe and our fitness is low		
BE17:	Product Harm	<b>Products</b> do not <b>harm</b> people or the environment
BE18:	Product GHGs	<b>Products</b> emit no <b>greenhouse</b> gases
BE04:	Procurement	<b>Procurement</b> safeguards the pursuit of future-fitness
Priority 2: Make progress - close current gaps to prevent harm and achieve 100% fitness		
BE11:	Living Wage	Employees are paid at least a <b>living wage</b>
BE16:	Product Concerns	<b>Product concerns</b> are actively solicited, impartially judged and transparently addressed
BE08:	Operational Encroachment	<b>Operations</b> do not <b>encroach</b> on ecosystems or communities
BE09:	Community Health	<b>Community health</b> is safeguarded
BE14:	Employee Concerns	<b>Employee concerns</b> are actively solicited, impartially judged and transparently addressed
Priority 3: Address data and knowledge gaps to be able to accurately assess and address impacts		
BE05:	Operational Emissions	<b>Operational emissions</b> do not <b>harm</b> people or the environment
BE06:	Operational GHGs	<b>Operations</b> emit no <b>greenhouse</b> gases
BE19:	Products Repurposed	<b>Products</b> can be <b>repurposed</b>
BE = Break-Even Goals		

Our goal prioritisation approach



We are confident that we have a clear understanding of where we want to go long-term, and that we are focusing on the goals where can make the most impact, using the Future-Fit Business Benchmark as the underlying holistic performance measurement system.

The right path – thl global work programme and progress

We believe our commitment to becoming a Future-Fit business will support *thl*'s long-term sustainability and resilience in the face of future disruption. We are embedding Future-Fit decision-making across the business and continue to make progress towards creating system value, through our new global Future-Fit work programme aligned to deliver on our priority goals. As a responsible tourism operator, our priorities include actions to reduce emissions from our fleet and operations, ensuring our products do not cause harm to people or the environment through our Responsible Travel programmes and protecting the health of communities and ecosystems in sensitive destinations, such as Waitomo.

thl global work programme and progress





Further detail about elements of our global work programme:

- **Future Fleet**

The need to decarbonise our fleet is the major challenge we must address to achieve future-fitness, making progress on this is core to our Future Fleet programme - see *moving fleet forward* section.
- **Sustainable procurement**

Sustainable procurement framework development and supplier hotspot assessments are underway, initially with a pilot in our Australian factory. The approach and learning from the pilot will be rolled out to other regions in FY22.
- **Accelerate**

As a responsible travel operator we are committed to positively contributing to the communities and ecosystems where we operate, working with partners and communities to create impact at scale.
- **Ignition**

This year we rolled out Future-Fit Branch Sustainability Action Plans globally, building on the Branch Action Plan process initially developed in the US. This programme is key to embedding Future-Fit thinking and action across all our branch locations, and making progress on the operational goals for energy, water, waste, operational GHG emissions and community impacts.

A Future-Fit Pioneer

In November 2020 we became one of the first Future-Fit Pioneer businesses. Future-Fit Pioneers are leaders: businesses which have made a public commitment to transform what they do, head for the right destination, light the way for others and report progress every year. We are proud to be one of the first Future-Fit Pioneers globally to produce a Level 1 Statement of Progress transparently, disclosing our progress, and sharing our journey to help others.

Future-Fit thinking in everything we do

We have continued to embed Future-Fit thinking and action across our business, from developing Future-Fit Branch Action Plans to ensuring that all capital expenditure requests and projects are assessed for Future-Fit impacts. We are engaging our crew through Future-Fit Goal Prioritisation workshops, sharing our stories and by launching new DriveTrain online training modules on the properties of a Future-Fit society.

While we did not expect to complete the full data collection to assess all 23 Break-Even Goals in FY21, we have continued to make good progress assessing the goals where we have data available and identifying where and how to address data gaps. This year we migrated to a new platform to improve data collection and analysis for measuring our future-fitness progress and carbon reporting. The updated Health Check for FY21 reflects our improved data awareness and findings of the assessments we have completed.

A climate of change

Around the world, extreme weather events such as storms, floods and wildfires are intensifying, impacting millions of people and infrastructure including airports, ports and roads which our customers use to access tourism destinations.

This is not just climate change, but rather a climate crisis. Businesses face a stark choice: either be part of the problem or work hard to be part of the solution.

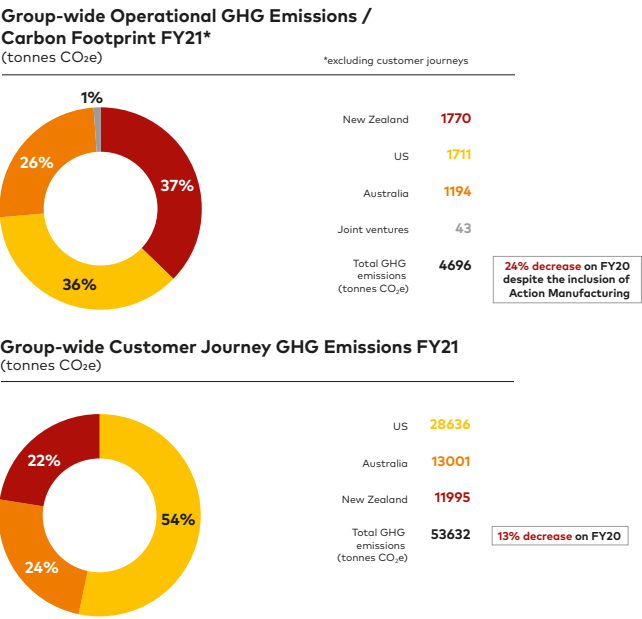
Post the Paris Agreement, legislation and regulation is finally being developed to support a low-emissions world. Countries and states are setting clear end dates for the sale of new Internal Combustion Engine (ICE) vehicles or requiring that all new cars and passenger trucks sold be zero emission vehicles (ZEVs); and regulated product stewardship schemes are on the horizon.

**thl** has started considering the risks and opportunities from the physical effects of climate change and the transition to a low-emissions future. Some of these are discussed in the *moving fleet forward* section of this report. Risks are managed by the Risk & Improvement Committee (RIC) and captured in our Enterprise Risk Framework (see *protecting the value we create* section in this report).

However, we still have a long way to go. We have developed and resourced a Climate and Carbon Strategy to deliver this work, and our ongoing Future Fleet Programme will play a key role. The decarbonisation pathways we set will be based on robust carbon scenarios developed for **thl** in each country of operation (New Zealand, Australia and the US). We will be fully reporting on our climate risks and opportunities in alignment with TCFD<sup>2</sup> recommendations and in advance of NZX requirements in our FY22 Integrated Report.

At **thl**, we are very clear about just how much work is involved in becoming part of the solution. Our RVs provide a safe and enjoyable way for visitors to access nature, and opportunities to have new, enriching cultural experiences. But fuel use from customer journeys causes pollution which contributes to climate change and poor air quality: an increasing concern in a world living with COVID-19. In addition, the materials in our vehicles all contain 'embodied carbon' generated at each step in the supply chain.

Our understanding of the environmental and social context of our operations, products and the systems they are part of, is key to ensuring we make the best decisions for our future.



For more information, see *FY21 carbon footprint analysis* section in this report.

Crew Spotlight



“Since joining **thl**'s Responsible Management team in December 2020, I've been fortunate to have inherited a fantastic team based in LA, Dunedin and Auckland and a strong foundation provided by the Future-Fit Business Benchmark. Future-Fit provides a science-based, systemic approach that helps businesses become 'sustainable' by achieving 23 Break-Even Goals and then – and what I'm most excited about – how to go beyond sustainable to become restorative and regenerative through the 24 Positive Pursuit Goals.

Any framework requires work to maintain, and that includes Future-Fit. We've been putting in a new, online system to enable our team and our crew to focus on what counts: creating a positive impact in our business, our branches, and the communities, ecosystems and destinations in which we operate. Given we're a small team, collaboration across systems is key. We are excited and humbled to learn from indigenous wisdom and apply systems-based concepts such as doughnut economics, circular economy, Cradle to Cradle™ and biomimicry to inform our journey to a resilient and regenerative future”.

**Juhi Shareef**  
Chief Responsibility Officer

<sup>2</sup> Task Force on Climate-Related Financial Disclosures



The updated  
FY21 Health Check

Our FY21 Health Check provides insights on our current progress. Our first full benchmark assessment results will be available in the Level 2 Pioneer Disclosure in FY22.

**Key** - Health Check assessments show how **thl** is performing against the Future-Fit Break-Even Goals

We are off track and need to redesign our course

We have major gaps and need to rethink

We have minor gaps but know how to close them

We are on track and can continue our journey

Future-Fit Break-Even Goals	2019 Health Check	2020 Health Check	2021 Health Check	FY21 Review Commentary
BE01: Renewable energy	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We continue to focus on energy efficiency with energy saving plans in place for most sites. In the US and Australia we are looking into options to move to renewable energy sources for electricity where possible, as this will have the greatest impact where the grid mix has low renewables. However, due to COVID-19 work has not progressed as we would have liked on shifting to renewables and reducing gas and company fuel use. Our performance is reflected in our rating and we need to rethink our approach.
BE02: Water use	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	A number of sites in US and Australia are based in water stressed regions, while other sites experience seasonal water stress. Water saving is a focus in the Branch Action Plans, targeting high water use activities including vehicle wash bays, installing low flow facilities and efficient appliances, and installing water tanks where appropriate.
BE03: Natural resources	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Waitomo is our only location where the Natural Resources Goal applies. We have assessed our fitness for this goal and are confident our environmental management practices meet a high standard. They are guided by our Environmental Management Plan, intensive monitoring of impacts, and oversight by the Environmental Management Advisory Group.
BE04: Procurement	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div>We are strongly committed to sustainable procurement to:<ul style="list-style-type: none"><li>· support product design for a circular economy,</li><li>· minimise consumption,</li><li>· maximise the procurement of low-carbon, energy-efficient, innovative and socially inclusive products and services, and to</li><li>· ensure products are recovered and recycled at end of use / life.</li></ul></div> <div>Our global supply chain is complex but we are making progress with a sustainable procurement pilot for our factory in Australia. Work is underway to: identify key procurement categories / suppliers by spend, risk and visibility to understand social and environmental hotspots; map current performance in sustainable procurement; and embed sustainability into our procurement processes.</div> <div>The learning from the pilot will be rolled out to NZ and the US in FY22.</div>
BE05: Operational emissions	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We currently do not have data on all the potential gaseous, liquid or solid emissions that may occur at our sites. Closing this data gap is a priority. We will complete a pilot to assess this for branch locations in FY22.
BE06: Operational GHGs	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Operational emissions reduced over the last FY due to changes related to COVID-19, including no emissions for Kiwi Experience coach operations and reductions in staff commuting and branch energy saving actions. Assessments are based on our scope 1 and 2 emissions, and limited scope 3 emissions. A scope 3 inventory review is underway to ensure all emissions sources are covered. A carbon management plan is in place and reducing operational emissions is a focus in our Future-Fit Branch Action Plans.
BE07: Operational waste	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Operational waste is challenging due to the extensive parts and interior items required for the vehicle preparation process. Waste management and improving reduce, reuse and recycling at all sites is a focus in Future-Fit Branch Action Plans. Challenges operating in a COVID-19 environment has resulted in <b>thl</b> performing worse than the last FY on site-based reuse and recycling initiatives in the US and Australia due to greater use of disposable items and additional challenges of sorting recycling on-site. A renewed focus on waste reduction, recycling and finding circular solutions will be a priority in FY22.
BE08: Operational encroachment	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	The methodology to assess Future-Fit impacts for current sites and new locations has been developed. Assessments are underway in each country. Many of our branches are located in areas of low risk of impact for community and ecosystem health. Our most significant site for operational impacts on communities and ecosystems is Waitomo where we also have the biggest opportunities for positive impacts. Our Discover Waitomo businesses are therefore prioritising goals BE08 and BE09 and aiming to go beyond Break-Even (sustainable) to positive pursuits (regenerative) where possible.

Future-Fit Break-Even Goals	2019 Health Check	2020 Health Check	2021 Health Check	FY21 Review Commentary
BE09: Community health	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Protecting the health of ecosystems and communities, both where we are physically based and at destinations where use of our products has an impact on communities or the environment, is a high priority. Not only to cause no harm, but as a focus for positive pursuits to contribute to restorative and regenerative travel at a system level. Our focus is to understand our impacts, address community issues and create positive change at scale. We will progress work developing effective community engagement mechanisms, building regenerative partnerships, and extending work on our Responsible Travel programmes in FY22.
BE10: Employee health	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	The health, safety and wellbeing of all our crew is a top priority. This has been a challenging period with the impact of COVID-19 and the Auckland branch fire leading to new Standard Operating Procedures (SOPs) and a focus on wellbeing across the business. We are confident we have the culture, crew engagement, processes and practices in place to support our crew and will maintain this focus.
BE11: Living wage	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	The process for identifying Living Wage models to use for this analysis is underway. None of the regions in which <b>thl</b> operates have a Living Wage which has officially been legislated. A number of models developed by third party organisations are currently being reviewed to determine regionally appropriate models that meet the Future-Fit goal criteria. Following Board approval, <b>thl</b> US was the first to commence the journey towards a sustainable <b>thl</b> Future-Fit wage concept with the implementation of hourly wage adjustments in June 2021. This was followed by the announcement in June 2021 of the introduction of the <b>thl</b> Future-Fit wage for New Zealand, effective for the new FY22 financial year. A review of a <b>thl</b> Future-Fit wage concept for Australia is also underway.
BE12: Fair employment terms	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Assessment work reflects that we have good fitness on the majority of the fitness criteria for this goal in New Zealand and Australia. The US will require more exploration due to the difference in US employment regulations, such as for paid sick leave, vacation and parental leave impacting fitness progress.
BE13: Employee discrimination	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Based on the fitness criteria, we have the policies and procedures in place to achieve this goal. We will continue to review our progress and identify where we can make progress on diversity and inclusion, including a focus on risk areas identified in the industry Future-Fit Heat Maps.
BE14: Employee concerns	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We have a range of employee feedback mechanisms currently in place, however we have identified the need to improve awareness of the feedback mechanisms available and to engage crew in the design of the employee engagement mechanisms. A pilot of a wellness app this year provided useful learning, which will inform ongoing work to support crew engagement and wellbeing.
BE15: Product concerns	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Safe and responsible use of our products is a priority for <b>thl</b> . Customers receive instructions and/or demonstrations on safe driving and how to operate all equipment in the motorhome, along with online manuals and instruction videos. Responsible Travel programmes like Tiaki Promise in New Zealand and Travel with Heart in the US are in place to address potential impacts on the environment from inappropriate use of the vehicles, and support customers to reduce impacts and where possible, have a positive impact. A review of product communications has shown that we have good levels of fitness across all business groups.
BE16: Product concerns	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We recognise the importance of this goal given the complexity of motorhomes; to ensure the safe operation and responsible use of our vehicles; to prevent damage to the environment, and to address any operating issues that arise for customers. We have robust product concern mechanisms in place. We maintain a focus on this to ensure all customers have the information they need and channels to raise concerns, get support and advice, and proactively manage any issues identified.
BE17: Product harm	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Reducing harm to people or the environment from the use and disposal of our products is a priority. Responsible Travel programmes help our customers avoid causing harm when using our products. A lifecycle assessment comparing eRV and regular RV models in New Zealand has been completed, however data on the impact of our products' end of life is not currently collected. Given this, a priority for FY22 will be to make progress to assess the environmental and social impact of our products throughout their lifecycle, including materials, resources and emissions in production, use and end use phases.
BE18: Product GHGs	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	Reducing GHG emissions from our vehicles is a major challenge and high priority. We are committed to reducing emissions from our motorhomes through our Future Fleet programme, building on our experience with eRV fleet in New Zealand. Industry partnerships with vehicle manufacturers will be key to moving forward. The customer journey emissions for our rental fleet are shown in our carbon footprint.
BE19: Products repurposed	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	The products can be repurposed goal is complex for <b>thl</b> , as our vehicles include many more components and materials than a standard car or truck. We are working to understand product repurposing in each market in which we operate. Local programmes for parts to be recycled/repurposed are in place where facilities are available. Some existing programmes to reuse and repurpose surplus items have been impacted by COVID-19.
BE20: Business ethics	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We have an Ethics Policy in place and an ethics training module relevant for our business activities and potential hotspots. It is a requirement for all staff to complete the ethics training on a regular basis and this is monitored.
BE21: Right tax	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	As a publicly listed company we are confident that we meet the standards required for this goal and are disclosing the relevant information within all jurisdictions where we have operations.
BE22: Lobbying & advocacy	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	We do not directly undertake lobbying activities, but we are active in tourism industry groups. We have a Lobbying & Advocacy Policy in place and proactively encourage the groups we engage with to make progress towards future-fitness by addressing their key impacts, risks and issues.
BE23: Financial assets	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	<div><div></div><div></div><div></div><div></div></div>	As a company we do not directly manage financial investment assets, beyond standard financing activities. We have reviewed this goal and many of the risk areas identified do not apply directly to our activities.



# moving



# people forward

## Progress on our People Goals

Our crew are at the heart of everything we do. The ongoing uncertainty and complexity created by COVID-19 demands our dedicated focus on protecting the health, safety and wellbeing of all our crew and our customers. We are immensely proud of the resilience and commitment shown by our teams over the last year and share some highlights on progress towards our People Goals.

## Crew engagement: a new pulse survey

We paused the annual crew engagement survey last year due to COVID-19 and took the opportunity to re-evaluate our approach. In the latter part of CY20, we rolled out a new hybrid crew engagement pulse survey that we intend to run 2-3 times a year to gather current information from our teams. This enables us to understand the changing needs of our crew and respond quickly to any concerns and issues, thereby helping us to maintain existing programmes or develop new initiatives that support us to become a Future-Fit organisation.

## Capital inputs to create value



## Future-Fit Break-Even (BE) Goals

**BE10** Employee health

**BE11** Living wage

**BE12** Fair Employment terms

**BE13** Employee discrimination

**BE20** Business ethics

**BE08** Operational  
encroachment

**BE09** Community health



Health, safety and wellbeing

We commenced piloting a training programme for frontline leaders and crew in New Zealand in June 2021 focusing on wellbeing and mental health support, and plan on rolling this out or offering support to other regions on completion of the pilot. A review of our current health and safety management system has recently been completed and we will implement the outcomes of the review to continuously improve our health and safety practices.

Crew recognition

The global DriveStar Award series, which gives company-wide recognition to our hard-working team members, was re-activated in August 2020. It provides an opportunity to recognise our monthly, quarterly and annual DriveStar award recipients. Thanks to all our DriverStar winners for your great contribution to your team, and commitment to the business over the last year. In addition, we also operate regional recognition schemes to provide local recognition.

Crew training and development

Through our DriveTrain programme, targeted online training modules are delivered on a monthly basis to all our crew. These cover key topics from the Future-Fit goals to cybersecurity and health and safety, to provide ongoing learning opportunities for our teams. While we will be reviewing the main leadership development programmes in the coming months, an online leadership option using the LinkedIn Learning online application was approved in June 2021 and will be piloted from mid-2021 onwards for a number of our leaders.

Flexible working arrangements

When the first lockdowns occurred, we focused on setting up all crew who could work from home and had to work from home with IT software, hardware and office equipment to ensure they were fully comfortable, connected and complied with health and safety (H&S) requirements. Where crew are able to return to work, we have developed a policy framework within which we are continuing to provide ongoing flexibility to work from home, or from the workplace.

thl Future-Fit wage

One of the fundamental aspects of moving towards becoming a Future-Fit organisation involves improving the financial position of our crew who are earning at lower wage rate levels in the organisation. Following Board approval, thl US was the first to commence the journey towards a sustainable thl Future-Fit wage concept with the implementation of hourly wage adjustments in June 2021.

This was followed by the announcement in June 2021 of the introduction of the thl Future-Fit wage for New Zealand, effective for the new FY22 financial year. A review of a thl Future-Fit wage concept for Australia is also underway. We hope that this approach will improve the quality of life for our crew financially as well as help improve engagement and retention levels.

Lost Time Injury Frequency Rate (LTIFR)

LITFR incident reporting is part of the Health and Safety reporting and monitoring process that is undertaken in Australia and New Zealand on a rolling 12-month basis (an LTI reporting mode is being developed for the USA).

COVID-19 has had an impact on our normal site operational hours. Plant and crew availability and workplace awareness has been variable, with training at times subject to the various alert protocols over the last 12 months. This has resulted in fluctuations in the number of incidents occurring that have required time off for recovery. Australia has improved in this regard over the last 12 months, with New Zealand needing an increased focus on crew training and awareness.

LTIFR	FY21	FY20
New Zealand	16.6	13.4
Australia	15.3	23.7

Note: LTIFR represents the number of lost time injuries occurring in a workplace per 1 million hours worked.

Kaimahi for Nature

Discover Waitomo closed the Waitomo Glowworm Cave, Ruakuri Cave and Aranui Cave in Waitomo during the New Zealand-wide lockdown from 24th March to 22nd May 2020. Following the lockdown, there was a reduction in tourism visitors of ~90% due to the absence of international tourism. Despite Discover Waitomo's best efforts to save as many jobs as possible, more than half of the Discover Waitomo team lost their jobs in 2020.

We looked for opportunities to continue to care for our crew and partnered with the Department of Conservation (DOC). We were the first in the country to set up and successfully run a Kaimahi for Nature programme through the Jobs for Nature Government initiative where thl crew perform their usual primary tourism role (guiding, retail assistant, food & beverage assistant, reservations) and then work in conservation and restoration to top up their hours to full-time. In our view, this programme is an exemplar of the way in which Government and business should be working together.



Through Kaimahi for Nature, our crew have been involved in track maintenance for Maniapoto district reserves, waterfalls, tracks and pā sites (sites of historical Māori villages). Work includes pest plant removal, guiding visitors, predator control, native riparian planting, tree releasing (pulling back plants that may smother new trees) and riparian strip maintenance (providing a natural buffer between waterways and land).

The local community have responded positively to the work achieved by the crew, and in return the crew are enjoying working outside, learning new skills, and being the kaitiaki (guardians) of their environment. An additional benefit of the Kaimahi for Nature programme has been the Glowworm Cave and Black Water Rafting teams working together and getting a greater understanding of both sides of the business.

This initiative has provided jobs for 18 of our crew previously on casual contracts and ensured that full-time fixed term roles have the job security needed to keep them working within the community and with their Hapū (Māori kinship group).

Alongside our Future-Fit goals, Discover Waitomo has made the Tiaki Promise to commit to caring for our people and our place, now and for future generations. As kaitiaki (guardians) of a unique cave and karst landscape, our care is world leading. We deliver on the Tiaki Promise and our Future-Fit goals by: caring for our crew; using an extensive environmental monitoring and management programme within the cave and nearby reserves; and using our Mauri Model to holistically assess and improve our performance against our core values. The Mauri Model integrates quantitative and qualitative data with a Te Ao Māori worldview, acknowledging the interconnectedness of all things, living and non-living.

Crew Spotlight



“I am a single dad with two kids. The Kaimahi programme has given me full-time work, taught me new skills and allowed me to continue to work at the Glowworm Caves where I have worked for over 16 years.”

Christaan Burgess  
Discover Waitomo and  
Kaimahi Crew Member





### US: operating in a COVID-19 environment

In the US, our first and last question of each day has been “are we doing enough to keep our crew and customers safe?”. We quickly, carefully and comprehensively designed and implemented new standard operating procedures (SOPs) based on the advice of Federal, State and Local Government agencies. Maintaining these SOPs and their implementation across the business through uncertain and rapidly evolving situations requires significant time and focus from all our business leaders and their teams. With our ‘one team’ approach, constant, open and direct communication is key, with weekly health and safety meetings held in all branches and teams, and feedback from crew and customers incorporated into our weekly reviews of the safety SOPs.

Our leaders and crew have done an amazing job in responding to these challenges to keep our crew and customers as safe as possible all day, every day. All crew who had roles that could be adapted to working from home continue to do so with the active support of their leaders. Through our focus on safety and the connectedness of remote-working crew, we have fostered a strong culture born of resilience, compassion and agility. At the time of writing, we are facing the growing threat of the Delta variant in the US and will continue to intensely focus our energies on safety through all the ups and downs we may face, for as long as the pandemic requires it.

### Indigenous cultural capability training in Australia

For many years, *thl* has been an active supporter of indigenous tourism experiences. Initially this was through the promotion of the Tourism Australia-led, “Indigenous Champions” programme. This year, with support of the specialist for Aboriginal Tourism at Visit Victoria, we have taken a step further in order to understand what role we can play in walking alongside Aboriginal tourism operators and suppliers, to support and elevate them. We needed to go back to the start which began with cultural capability training sessions for all crew. As with all good courses, we started with a little homework – finding out who the Traditional Custodians are of where we live and work.

#### We received guidance on:

- Cultural protocols and sensitivities for engaging with Aboriginal and Torres Strait Islander peoples (respect).
- History to support the conversation on respect and acknowledgement (truth telling).
- The importance of representation, not only in media but across all industries (leadership).
- Identifying opportunities for connection and support (engagement).

We believe that economic development driven by Aboriginal and Torres Strait Islander people can empower and develop sustainable futures for all Australians. In FY22 we are committed to learning how we can best contribute.

### Our cultural capability journey

We are learning with Indigenous research and project management tools shared by Aboriginal partners.



### Period products for our crew



*thl* is committed to women's health. As part of this we have committed to being a Period Positive business. In our offices and branches across New Zealand and Australia we have introduced free period products for our crew. This will be introduced across the US as people return to the office.

### Crew wellbeing challenge in Australia

A huge well done to all our *thl* Australian team members who competed in the 30 Day Physical and Mental Wellbeing challenge. In the 30 days, the team managed to total over 12 million steps and 917 guided meditation sessions. Of the 40 initial participants, 24 managed to achieve the required 10,000 steps and guided meditation every day. Team Brisbane had the best participation with seven challengers who each averaged 10,952 steps. The team with the highest average steps was our high performing sales team with an average of 14,395 steps per day.



# moving



# fleet forward

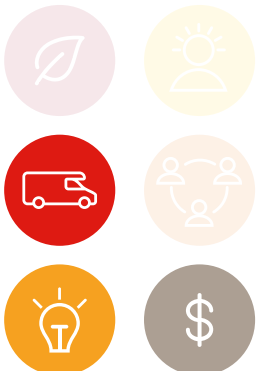


Vehicle sales and rentals are our core business, and while we remain focused on margins, we know that the decisions we make about our fleet today are going to lock carbon emissions in over the 10-30 year life of a vehicle. Climate change is arguably the biggest challenge of our times, and at *thl* we are setting science-based carbon targets and decarbonisation pathways.

Simply put, there's not one standalone technology that will solve the systemic climate and supply side challenges we face across multiple regions. We have developed an ongoing programme of work – Future Fleet – that is taking a technology-agnostic approach to our product categories. This means we are not only looking at EVs, but also at biofuels and hydrogen, and we are keeping an eye on hybrid options.

We are scanning vehicle ecosystems in each country in which we operate and are in the process of mapping: system stakeholders; emerging technologies; investment in infrastructure; and potential partners. We have convened an internal cohort of our crew with technical expertise to model and analyse market tipping points and inform our science-based decarbonisation pathways. However, we recognise we have a long way to go and we can't do this alone: collaboration across systems will be key.

Capital inputs to create value



Future-Fit Break-Even (BE) Goals

BE04: Procurement

BE17: Product harm

BE18: Product GHGs

BE19: Products repurposed



Given climate change and global megatrends, the future of our fleet has always been front of mind. Our Future Fleet programme was developed to proactively respond to megatrends such as changing customer preferences and to manage the climate risks to our fleet.

To date we have invested significantly in electric RVs and prior to COVID-19, we were aiming to ramp up progress on the transition to an electric fleet. However, with COVID-related lockdowns; global constraints on supply and logistics; and vehicle manufacturers prioritising electric car production, we have not made the progress we had hoped to make.

Vehicle Sales

	Number of vehicles sold	% increase from previous FY
New Zealand Rentals and Vehicle Sales	1,255	121%
Australia Rentals and Vehicle Sales <sup>3</sup>	502	66%
US Rentals and Vehicle Sales	1,173	30%

<sup>3</sup> Exclusive of buyback units which were returned in FY20

Through Action Manufacturing, **thl** has a strong track-record of international partnerships: we were the first in New Zealand to bring in LDV electric chassis; working with Netherlands-based Emoss we repowered two Mercedes RV chassis (compliance approvals pending); we repowered light commercial vehicles for Australian-based SEA Electric and assisted in creating New Zealand’s first intercity heavy EV truck for AlSCO.

These projects are building an internal **thl** capability that we believe is essential in understanding both the opportunities and challenges around Future Fleet.

As outlined in our framework for FY21 that was included in the FY20 Integrated Report, we pivoted the business towards vehicle sales, servicing and retail products, on the assumption that we would be operating in a domestic-only rentals environment for FY21.

Looking back, this pivot towards vehicle sales was fitting, not only to serve the domestic demand for private motorhome ownership, but also to help de-fleet and improve utilisation in an environment where rentals demand was lower, and also to help de-leverage the balance sheet and repay debt. Our net debt position reduced from \$175M at 24 March 2020, to \$22M at 31 December 2020. By selling our motorhome assets and realising the margins and value of the assets over and above the book values that are recorded in **thl**’s accounts, we have been able to right size the balance sheet without raising capital from shareholders.

The vehicle sales market in all countries that we operate in continues to remain strong. We have had a record year for vehicle sales, selling 2,930 vehicles across the Group. Record average sales margins have been achieved in the US throughout FY21. The average total gain on fleet sales (after selling costs) has increased 39% from FY20.

The Great New Zealand Motorhome Sale campaign in late 2020 generated strong volumes of vehicle sales in New Zealand, which continued throughout the second half of FY21.

This increase in the volume of vehicle sales has enabled a focus on growing ancillary revenues such as vehicle servicing and retail revenues, and has

also enabled growth of our vehicle sales network through both retail and wholesale channels.

Some of the margin growth that we have seen in FY21 is considered one-off in nature, reflective of the current market conditions. We have seen manufacturing cost increases, but to date these have been outweighed by the increased sales prices that are being seen in the market.

With the backdrop of an ongoing strong vehicle sales market and a belief that the domestic rental markets will continue in some manner, we have continued to purchase new fleet to meet both the rental and sales markets opportunities. In the US for example, we purchased 823 motorhomes in FY21 with more arriving in Q1 of FY22 to fulfil the domestic rental demand and to sell through both the retail and wholesale channels. By selling fleet, realising positive margins and buying new fleet, we have also been able to keep the average fleet age low. This has the flow-on benefits of being able to better manage full Repairs and Maintenance (R&M) costs on the rentals side, maintain flexibility in our customer proposition, ensure a more carbon-efficient fleet, and keep up with technology and efficiency improvements in vehicles.

We continue to assess each market based on the demand patterns that we are seeing for both rental and vehicle sales and are investing where appropriate to ensure we are in a position to maximise opportunities when they are presented, whilst managing the balance sheet and external risks in this volatile environment.

Telematics



**thl** introduced Telematics to its rental fleet in 2014, using the Australian business as a pilot.

Prior to 2014, we would wish customers a safe and enjoyable holiday as they drove out of the yard, but have no visibility of them until they returned the vehicle at the end of their rental. Our aim in introducing telematics to the fleet was to positively influence driver behaviour, improve the customer experience, reduce **thl** costs of operating, and to improve the safety of our customers and the communities they visit around the country.

In Australia, reducing speed was a key focus. We learned a lot about our customers as to what messages did and didn’t work, and we were able to reduce speeding events by over 70%.

Thanks to Telematics, in the unlikely event of an incident, our On Road Support team are able to locate the vehicle easily and diagnose any engine fault codes, which has enhanced the customer experience we provide. We’re also able to geo-fence zones that may be experiencing dangerous natural events such as cyclones, floods and bush fires. It is equally important to encourage customers to go back into those impacted regions after the danger has passed to support the local communities and tourism destinations get back on their feet.

Improved driver behaviour has led to a reduction in repairs and maintenance costs over the life of the motorhome, and from an asset management perspective, stocktakes are accurate and available in real-time.

Our initiatives in this space allowed us to win the Australian Fleet Management Association’s Fleet Safety Award in 2017. In the last financial year we launched our own Telematics solution bespoke-designed for RV customers and our operational needs. While this needs further development to integrate into back-end operations, it has now been expanded to the New Zealand rentals fleet. This new solution has enormous potential for enhanced features and data generation to reduce repairs and maintenance and deliver other operational efficiencies and better customer experiences.

Crew Spotlight



“Action Manufacturing is a critical part of **thl**’s build-buy-rent-sell business model. Action is constantly evolving as a business with our intuitive thinking around design and our drive to be at the forefront of the market in the commercial specialist, truck, trailer and recreational vehicle industry. The agility, teamwork and excellence demonstrated by the team at Action is paving the way for future growth and exciting projects.”

For more information about Action Manufacturing see *divisional reports*.

**Chris Devoy**  
Director & CEO, Action Manufacturing



Future Fleet programme

Our climate, environmental and societal risks are described in the *moving forward responsibly* section of this report, are captured in our Enterprise Risk Framework, and are reflected in our priority Future-Fit product goals. How are we managing these risks? Rather than investing in efforts to be ‘carbon neutral’, we are taking a considered, science-based approach to improving our core business – our fleet – so that we genuinely become Future-Fit.

The challenge for **thi** is that this will take some time. Currently there is a lack of availability of cost-effective, electric chassis that meet our customers’ need for range. OEMs<sup>4</sup> (vehicle manufacturers) are focussed on electric cars as a priority, with short-range electric vans for last mile delivery their next consideration. Last off the block are the long-range electric vehicles **thi** requires to provide our customers with the independence they expect from an RV experience. Finally, there are the supply-chain challenges being experienced by businesses all over the world.

Of course, electric vehicles aren’t always the answer, particularly in Australia and the US with electricity networks that still rely primarily on fossil fuel electricity generation. All products have an impact on the environment. Even our 12 electric RVs (eRVs), a much cleaner option than internal combustion engine vehicles as they emit no greenhouse gases, have an impact. Electric batteries carry risks across their value chain, from the ethical sourcing of raw materials such as cobalt and lithium, to the risks of thermal runaway or greenhouse gases generated at disposal<sup>5</sup>. We are currently using only a small proportion of repurposed materials and don’t (yet) have product stewardship schemes in place to take back, reuse and recycle our products and components as part of a circular economy. This is something we will be working on in FY22.



Future Fleet technologies

2021 has been a year of continued information-gathering on each of the Future Fleet prospect categories we are exploring: EV, hydrogen and biofuel. Our main challenge is that within each of these prospects, the various entities operate and develop independently, making it difficult to disseminate accurate and unbiased facts.

Adding to the complexity for **thi** is that RVs are a unique use of a light commercial chassis and investment in this category generally targets low-range, urban use, maintaining payload at the expense of range. RV use is also at the lower end of potential sales volumes, so is a secondary consideration for many manufacturers.

Biofuel has less long-term appeal for **thi**, with the complexity of new high-performance diesel engines limiting opportunities for the use of new blends of biodiesel, and challenges around feedstock supply (including links to food crops). However, given industry and Government commitments<sup>6</sup> biofuels could be part of a near-term transition to reducing carbon, so we maintain an interest.

Hydrogen is gaining momentum in heavy transport, and there are some options opening up in our light transport segment: essentially operating as an EV with a small battery and the use of a hydrogen fuel cell to recharge. In some regions, particularly where electricity is primarily generated by fossil fuels or where infrastructure is a challenge, hydrogen will likely take a lead position.

Suitable fully electric EV chassis and van options are beginning to enter the market, with range and cost improvements gathering pace. As the density and cost of batteries improves, auto manufacturers are adding range and increasing payload, and we are hopeful that during CY22 we will begin testing factory-built prototypes.

Our aim at **thi** is to be pioneers in the RV and tourism space as we navigate the journey to our Future-Fit goals. We are actively seeking partners with similar values to collaborate on the transition away from Internal Combustion Engine (ICE) vehicles. If you’re up for the adventure, please get in touch: [info@thi.sustainability.com](mailto:info@thi.sustainability.com).

<sup>4</sup> OEM: Original Equipment Manufacturer, an organisation that makes devices from component parts bought from other organisations  
<sup>5</sup> Our Chief Responsibility Officer Juhi Shareef is Chair of the Battery Industry Group (B.I.G.) which **thi** has joined. B.I.G. has designed a circular product scheme for large batteries. [www.big.org.nz](http://www.big.org.nz)

<sup>6</sup> Such as the New Zealand Biofuels Mandate for which consultation completed 26 July 2021





moving

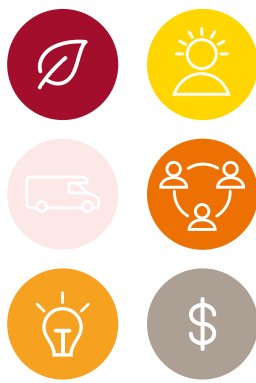


experiences forward

There is no better opportunity to move our experiences forward than now. Adapting out of necessity for the pandemic needs of our customers, but also seizing the moment to challenge our experiences for the better.

We have evolved for a socially distanced world. We're on the journey to leverage contactless processes and are making enhancements to our travel apps. These will enable our customers to get on the road more quickly and safely than ever before, without compromising the support needed to travel with confidence. Our flexible booking policies give options to those whose travel plans have been disrupted by the pandemic, and the "Work from Anywhere" campaign piloted new ways to enable an increasingly mobile workforce. Digital adoption has accelerated in the past 12 months and the way we work, live, and travel has likely changed forever, reinforcing that innovation in our product and in-trip technology is an ongoing priority.

Capital inputs to create value



Future-Fit Break-Even (BE) Goals

- BE03: Natural resources
- BE08: Operational encroachment
- BE09: Community health
- BE15: Product communications
- BE16: Product concerns
- BE17: Product harm
- BE18: Product GHGs
- BE19: Products repurposed



This has been an opportune time to refocus on our core operational disciplines. In our rentals business for example, these are the capabilities that deliver clean and well maintained campers, and quality 24/7 On Road Care. This has led to the re-engineering of key processes, starting a journey to become a paperless operation, increased emphasis on crew training, and redesign of fleet elements that complicate vehicle preparation for our crew. While the vast majority of our customer reviews are positive, we are never satisfied, and these changes are part of a continued challenge to be better.

We continue to develop possibilities for more enriched travel experiences as part of our Future-Fit pathway. Our crew feel a strong responsibility for this and are driven by the purpose of unlocking truly authentic connections to people, place, and culture. A few of these stories are shared below.



Responsible Travel programme

As a responsible travel operator, we actively promote and encourage responsible travel through Tiaki Promise in New Zealand and Travel with Heart – our Responsible Travel programme developed in the US and rolled out in Australia this year.

Travel with Heart is designed to help our customers enjoy a more sustainable holiday by sharing ideas, information, inspiration and itineraries. This information is available to customers not only during the dreaming and planning stages of their holiday, but also the pick-up from our crew who generously share their local tips via our *thl* roadtrip app.

Our aim is to connect customers with tourism experiences that are restorative and regenerative for the destinations in which they travel and the communities whom with they interact. We are therefore strengthening our long-term partnerships and developing new partner initiatives that will help us and our customers meet our objectives and make progress towards a Future-Fit society.

For many years, *thl* has been an active supporter of the Indigenous Champions programme in Australia. This has been revitalised and extended as Discover Aboriginal Experiences and is a priority for us to support. We have recently taken our first steps with cultural capability training to better understand how we can walk alongside and promote Aboriginal experiences to our customers.

Another priority is our connection with the Ecotourism Australia network. *thl* Australia has been Ecotourism Accredited for 10 years and we look forward to encouraging more customers to experience and support these businesses around Australia. *thl* continues to be a primary sponsor of the Campervan and Motorhome Club of Australia (CMCA) and supports the Leave No Trace programme to encourage responsible camping. We invest annually in dump points, in partnership with the CMCA in support of responsible travelling of all RV holidaymakers, whether they own their own RV or are renting for a short time.

In support of all communities, we actively promote safe driving and safe journeys. Through Telematics we are able to steer customers clear of any dangerous weather events such as storms or bush fires, but equally encourage them back into those regions when the event has passed. We are also able to encourage safer driver behaviour such as speeding through this system, and equally locate our customers quickly in the unlikely event that they have an on-road incident.



“In the US we have continued to expand Travel with Heart, with new information materials for all branches, crew training, refreshed webpages and our Travel with Heart blog series to provide tips, ideas and inspiration to our customers to reduce their impacts on the road, where they visit, and at home.”

Antonia Nichol  
Sustainability Director





Discover Waitomo: enhancing our visitor experiences



Our Discover Waitomo team worked hard to create opportunities for domestic visitors to experience all that Waitomo has to offer in new and inspiring ways. The region has an amazing variety of experiences for New Zealanders to enjoy, and we want to encourage visitors to return again throughout the year. To support this, our Waitomo team successfully developed a growing programme of cultural events, educational tours and conservation activities that inspire and draw visitors to Waitomo throughout the year.

In the last quarter of FY21, our team worked hard over several weeks to prepare for the Matariki (Māori lunar new year) celebration in Waitomo. Working with the community, the team developed a fantastic week-long programme for Matariki featuring unique tours, enriching cultural experiences and lots of fun activities for all the whānau (family). The opportunity to take a night-time tour in the Glowworm Cave, learn about Matariki and sample kawakawa tea and baking made for an unforgettable experience. The week included a cultural performance in the cave and a series of informative talks featuring local experts sharing Mātauranga Māori (indigenous knowledge), on topics such as the use of native plants for healing and wellbeing.

A notable impact over the last year was that the lower numbers of domestic visitors enabled a more

intimate visitor experience in Waitomo Glowworm and Ruakuri Caves, where cultural heritage and individual stories create deeper understanding and connections for our manuhiri (visitors). Our guiding crew, many of whom are from the local Ruapuha Uekaha Hapū and Mainiapoto Iwi, enhanced the tours with a stronger focus on cultural stories and history.

The core values of Kaitiakitanga (guardianship, stewardship), Manaakitanga (hospitality, generosity, respect) and Whanaugatanga (connection, kinship) underpin everything we do in Waitomo. We will continue developing opportunities for our crew and customers to share and build cultural knowledge and connections, enhancing our tours and supporting our crew to upskill and share knowledge. We are looking to increase our use of Te Reo and understanding of Tikanga (Māori customs), and we are privileged to have team and community members from the local hapū leading us on this journey.

Encouraging our visitors to care for New Zealand and embrace the Tiaki Promise remains an important focus of our customer experience. We actively promote opportunities for our customers to reduce their impact and engage with community conservation projects enhancing the health of the ecosystems in Waitomo, and we host a range of events celebrating Māori culture.

Discover Waitomo Events



Underground Sounds

At ‘Underground Sounds’, manuhiri (visitors) were welcomed with a pōwhiri, a tour of our Glowworm Cave, and then enjoyed an intimate performance by New Zealand tenor Geoff Sewell, performed inside the Cathedral of the Glowworm Cave. The evening included dinner at our stunning visitor centre accompanied by waiata (Māori song) performed by our crew.

Arts Month

Arts Month is an event where local artists presented their work at the Glowworm Cave and Homestead. Each week of the month represented a different life stage of the glowworm. A Maniapoto ancestor; Tāne Tinorau who explored the caves in 1887 was celebrated as part of this exhibition.

Success and resilience in the US



One of our key lessons through the pandemic has been that yesterday is no indicator of what may happen tomorrow! The US RV category came to a standstill, like many other industries in the first uncertain days of the pandemic. During this time, we did what we could to support the community and keep our people in jobs through rentals for quarantine camps for the homeless and other essential duties.

The energy and intensity, professionalism and creativity of everyone in the crew in pursuing and delivering these opportunities was rewarded by an American Chamber of Commerce (AmCham) - DHL Express Success & Resilience Innovation Award. This was very well-deserved recognition of ‘success and resilience’ during the COVID-19 pandemic.

Once the summer of 2020 began in June, we experienced a huge surge of interest, driven by exemplary public relations and influencer marketing. With many people reluctant to stay in hotels or travel by plane, and capacity and operating restrictions on other leisure activities, RVs proved to be the perfect ‘COVID-free cocoon’ to take a break in nature.

In 2020, around 85% of our renters were first-timers and the industry as a whole benefited from new entrants with a close affinity to the RV category. At the time of writing, we are entering the Northern Hemisphere summer of 2021 with most Government COVID-19 restrictions removed, so other leisure categories are operating at full capacity. As we’d expect, people are taking the opportunity to do the things they haven’t been able to do in the previous 12 months and the growth of new entrants to RV-ing, while still present, has slowed. With our strong customer satisfaction ratings, we expect the 2020 summer of the RV to have added significantly to both the long-term structural growth in the category and to our loyal customer base.

“We are truly blessed to have such innovative and creative folks within *thi*: we felt encouraged to face the pandemic head on rather than shutting down and waiting for better times.”

Crew Spotlight



“As I think back over the past year, we were faced with paramount challenges dealing with the pandemic and our changing business model. It was in the panic of getting massive reservation cancellations that we stepped back, evaluated, and re-emerged as a COVID-19 Support Facilitator.

Recognising our value to the health and wellbeing of our community, we began a massive campaign to market our fleet for COVID-19 quarantine space. It was amazing to see how fast we were able to pivot and change our focus, collaborating as one collective team including Customer Service Agents, Reservation Agents, Rental Managers and Service Managers. The pandemic served as the catalyst to join talents between Road Bear and El Monte to keep our business going and in the process our engagement with each other became seamless, working as one team.

Our primary focus was always keeping everyone safe. Our teams rallied and began analysing the safety measures needed to keep everyone safe in this environment. We did test runs with our crew to demonstrate the proper procedures to minimise the potential of exposure in our offices and vehicles. Our crew met frequently to discuss ideas for improving our procedures, with the goal being everyone needed to feel safe in coming to work. We continued to modify and improve on our Standard Operating Procedures (SOPs) which evolved throughout the process.”

**Don Price**  
General Manager -San Francisco - El Monte RV





moving



business  
forward

**As with businesses  
around the world, in FY21  
uncertainty became our  
new norm.**

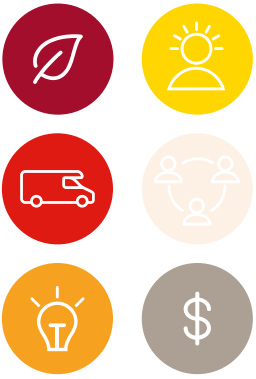
We faced several waves of disruption, from new COVID-19 variants, to the opening and closing of borders, to the loss of our main Auckland branch due to a catastrophic fire. All this has, of course, meant we have lost money. We are clear that it's still a challenging time for our business.

We are proud that our leadership and crew have navigated this uncertainty together and faced each challenge head-on. We have taken stock and grasped where our business stands today. We have learned to adapt and use lockdowns as times for reflection: refocusing and improving internal systems.

Thanks to our commitment to the Future-Fit Business Benchmark, we have a strong foundation to create value for our stakeholders over the long-term by ensuring that our operations, products and services are environmentally restorative, socially just and economically inclusive.

There is clear demand for our products and services in the market. As borders reopen, we are well placed to seize the exciting opportunities on the horizon. We are confident that we can move our business forward, together.

Capital inputs  
to create value



Future-Fit  
Break-Even  
(BE) Goals

- BE01: Renewable energy
- BE02: Water use
- BE05: Operational emissions
- BE06: Operational GHGs
- BE07: Operational waste
- BE08: Operational encroachment
- BE09: Community health



Relocation and reset in New Zealand



In a year that had already presented unprecedented challenges to the business managing through a COVID-19 landscape, the NZ business had to deal with a huge fire at our main Auckland branch in September 2020. The emotional impact of watching our workplace burn to the ground took its toll on our crew, and was another test of our resilience as a team.

Incredibly, within 24 hours the crew had set up a temporary location for customers picking up and returning vehicles, and a workshop facility to accommodate our back-of-house operations. We were operational again and had minimal disruptions for our customers. The search began immediately to find a suitable facility to call home in the interim while we re-build our Auckland branch.

The team moved into a new facility in December near the Auckland International Airport which will be home until sometime around the end of 2023 or in 2024. The design process is underway for what will be our flagship branch for **thl**.

It is an exciting opportunity to incorporate Future-Fit design principles and create the branch of the future for **thl** that meets all stakeholder needs.

Throughout all the challenges we've faced as a team in the past year, the commitment, passion, and resilience of the crew has never once faltered. They are committed to delivering amazing experiences to our customers no matter what obstacles are presented along the way. Out of the tragedy of the fire we are now given the opportunity to re-build something that is bigger, better, and more sustainable for the future of **thl**.

Given the number of locations we have around the world, we are constantly dealing with property lease renewals and new branch or location opportunities. The work being conducted for the Auckland branch renewal is flowing through to the reviews and decision-making for all other locations in the global network. At present, we have four new branch locations globally under review with more expected over the coming year.

Growth of RVSC in NZ

RV Super Centre has been through a period of substantial growth over the last 12 months. Fuelled by a market that has benefited from closed borders and low interest rates, the sales demand experienced across the industry has been like nothing ever seen before in New Zealand. Our crew have been focused on ensuring we can meet these demand levels and continue to deliver a high-quality product while looking to grow our ancillary revenue streams in our RVSC dealerships.

Retail has seen significant growth, both in our physical retail locations and our online store. We are increasing our retail footprint, leveraging our rental spaces that are underutilised currently, and expanding our product offering online. The workshops have also pivoted to private servicing, installation of accessories, and modification and refurbishment work, making the RVSC the one stop destination for everything RV in New Zealand. This is just the start though, and there are many more exciting opportunities that we are accelerating towards across all aspects of our dealership model to continue this growth into the future.

The evolving role of digital technology

The past year has seen us take significant steps forward on our digital technology roadmap. While we started the year finalising the split of the Togo JV, the technology that had been developed within that JV came to the fore during the year. As firstly, we launched our own Telematics product, which will drive ongoing savings in repairs and maintenance, customer safety and operational information and secondly, launched the new Cosmos fleet management system in New Zealand and Australia.

The challenge of developing a pricing, booking and fleet management system should not be understated and it was a considerable achievement to get this product launched. It will undoubtedly provide a competitive advantage in the years ahead with it being developed on the latest tech platform and bespoke for our RV rentals business. The next stage of development will see its introduction into our US businesses, with the consolidation into one global fleet system from three legacy systems driving efficiencies across the business.

Like many companies, our digital evolution has not been smooth sailing, and with the split from Togo it allowed us to revisit our digital strategy. As a result, we have refocussed our digital product development with an internal prioritisation first rather than external commercialisation. This led us to change the size and location of our Telematics product team with a smaller team leading product development now based in Auckland.

The importance that **thl** and the Board continues to place on further digital advancement is underlined by the addition of Jo Hilson to the leadership team in the role of Chief Technology Officer to lead the next stage of our digital evolution.



“We have had bumps in the delivery of our digital strategy, but at **thl** we have a strong belief in the digital products we have developed in terms of what they deliver today, and even more excitingly, the benefits they will give us in the future.”

Nick Judd  
Chief Financial Officer

Crew Spotlight



“Over the last year COVID-19 has created many logistical challenges, with sudden border restrictions and travel disruptions to customers such as cancellations, and amendments. It has been a fast-paced learning curve with lots of teamwork to anticipate fleet movements ahead of lockdowns, whilst being adaptable and ensuring we have fleet in the right locations once a lockdown ends and border restrictions are lifted. Throughout this rapidly-changing environment I have been most proud of our community of customers for their understanding, resilience and how they have worked with **thl** to ensure we can fulfil their holiday and keep the journey continuing. ”

Lisa Seach  
Fleet Scheduling Manager (AU)





Alice Limer is an apprentice here at Action Manufacturing. She is assigned to work on the St John ambulances we manufacture, ensuring the finishing touches are put in place. So, why does Alice like being an apprentice at Action? "I like working on the ambulances. It is very hands-on, and I feel like I am doing something great for our community, while achieving a qualification."

### Resilience and skills in a fast-changing uncertain environment

There is no doubt that 'resilience' was the attribute we all aspired to during 2021. For our team in Australia, it was an increasingly evident trait in our crew as the year of intermittent and repeated lockdowns rolled around the country. **thi** has always looked up and out to the future as well as dealing with what is in front of us. This has allowed us to respond effectively to the business environment in which we operate. The pandemic provided no greater test of this ability.

Knowing that we were 'all in this crisis together', our crew pulled together as 'One Team'. Crew were cross-trained to create an adaptive team that could support other parts of the business and other teams around the country from Brisbane to Perth, Darwin to Melbourne. This also meant we were able to provide more work opportunities for more people. Everyone had a role to play, and we continue with "One Team". Communication was key to keep the crew up to date with what we understood of the environment, the industry, and what we were doing as a response.

That environment flipped quickly in favour of vehicle sales and away from rentals. We responded by swinging our efforts behind the booming vehicle sales side of the business. Whilst rentals demand was subdued, we stood up a business development team to generate revenue in non-tourism industries to fill the gap in demand. On the cost side, we scoured the profit and loss lines for savings and were able to cancel or postpone some orders due to our already strong supply partner relationships. The supply chain continues to be challenging.

### Action Manufacturing



#### The last 12 months have been all action at Action Manufacturing.

The team has continued to deal with the impacts of COVID-19 and disrupted supply chains, while pursuing a wide range of opportunities and delivering high quality design and development projects. Action Manufacturing plays an integral role within **thi**'s 'Build – Rent – Sell' RV business model as the primary supplier of vehicles for the New Zealand and Australian rentals businesses.

A real highlight of the last year has been the expansion in recruits and rebuilding of teams across all three Action sites. We have successfully recruited over 50 new team members and are looking to on-board another 30 team members as we increase capacity to deliver our strong and growing pipeline of orders. The new team includes 11 apprentices undertaking coach building, heavy and light fabrication apprenticeships, two graduate engineers and a marketing graduate. We are proud of the training and career development pathways provided at Action and are committed to the success of all our team members.

Another highlight is the Hamilton site nightshift programme now up and running, with new employees for all shifts. This is increasing our productivity and is a better utilisation of our assets. A strong pipeline of orders provides an exciting opportunity for the team to successfully apply the design-led thinking that is core to the DNA of Action.

Maintaining and building effective supplier relationships has been important for addressing supply chain issues impacting the business. This has been more important than ever this year, as the team has secured many successful tenders with orders to design, develop and deliver a diverse range of vehicles, including multiple new vehicle designs for St John ambulance, to vehicles for the Police and New Zealand Defence Force.

As a business we continue to focus on our lean principles and are always looking for ideas to implement cost savings, increase speed, help our people, and improve quality. This year we have revitalised a number of continuous improvement projects, including a site-wide Kanban system for consumable items. Health and safety and our team culture is critical to our continuing success. We are focused on team engagement from the 'floor up' ensuring all our team members are actively raising issues. The new Continuous Improvement Board gives all staff the opportunity to contribute ideas, with prizes to be won monthly, quarterly and annually. The team has shown incredible agility, rising to new opportunities and meeting challenges as we continue to grow as a design-led specialist vehicle manufacturing business.



– our Value Model

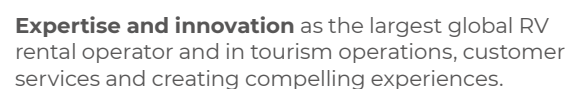
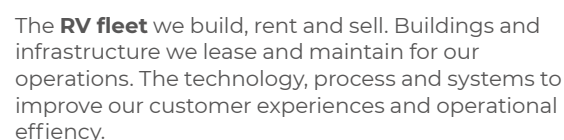
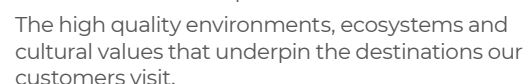
We draw from **inputs** or 'stocks of value', represented by the six capitals:

have positive or negative **impacts**.

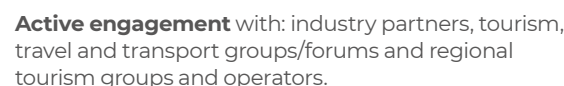
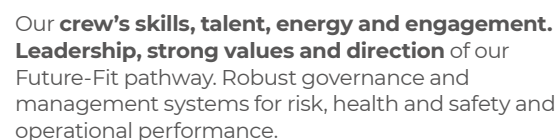
where some negative impacts are internalised, but business as usual

our environment (doing more good)

## Impact Outcome

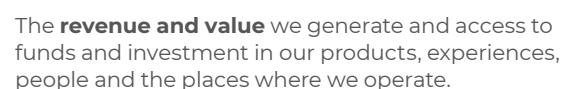


Development of technology solutions, organisational systems and services that support our crew and customers.



Relationships with: community, iwi/indigenous groups, Government agencies, and local partners where we are based, and where our products impact.

Global network of suppliers.



## Build-Buy -Rent-Sell RV model *and* delivering tourism experiences

## Our business

## Vision

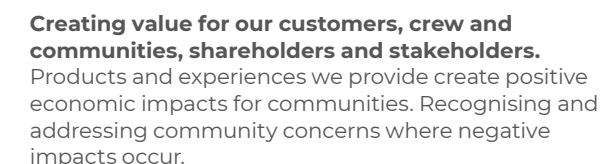
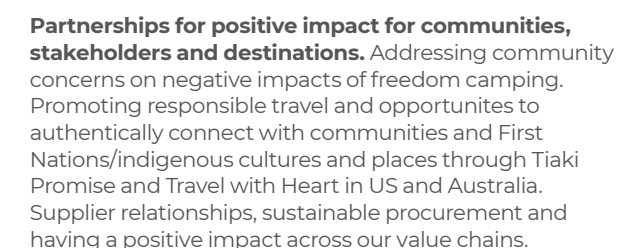
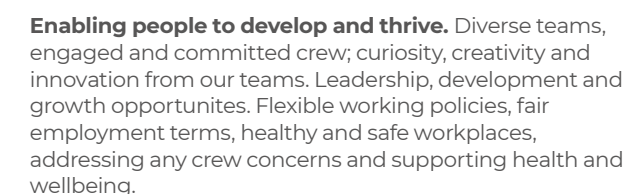
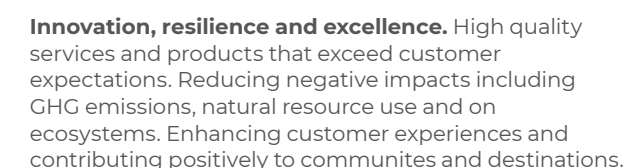
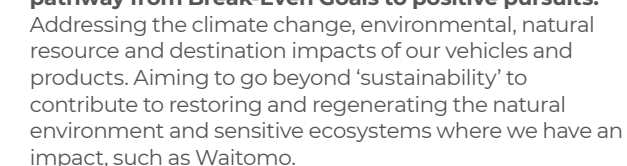
To sustainably connect millions  
with personalised local  
experiences, leveraging our  
expertise in RVs and tourism  
globally.

## Right path

Future-Fit methodology and mindset. In other words, choosing a future that is environmentally restorative, socially just and economically inclusive.

### Our way (*thl* values)

- **Be the best**
- **We care every day**
- **Be curious**
- **Do the right thing**





protecting
the value
we create

– our Enterprise Risk
Management Framework

A thorough organisation-wide review of all thl's enterprise risks has recently been completed, and these strategic, operational and regulatory risks have been streamlined and migrated to a new digital platform.

Risk	Detail	Impact	Risk controls	Relevant Capitals – see about this report section for more information
Health, safety & wellbeing	As an essential service provider in a COVID-19 context with domestic tourism offerings, exposes our crew and customers to additional health and safety risks which we continue to proactively address.	In addition to health, safety and wellbeing risks to our crew or customers, if our operation was no longer regarded as safe, we would face major impacts on our operating model, as well as fines, lawsuits and significant reputational damage.	Continue to embed health, safety and wellbeing culture in all parts of the business. Act on recommendations of internal Health & Safety Audit. Explore alignment with ISO 45001 to support consistent processes and knowledge sharing across jurisdictions and continually improve SOPs.	
Cyber security	The risk of a cyber-security event impacting operations and customers remains high. Includes external malicious activity causing loss of key systems and data breaches and wider risks around digital systems failure. There has been an increase in fraudulent activity due to COVID-19 and working from home during lockdowns has added additional complexity in managing this risk.	Loss of key systems causing operational disruption and disruption to our customers. Reduction in EBIT. Reputational impact.	External cyber-security audit completed.	
Major market shocks, world recession	Major market shocks or recession (due to pandemic, war, terrorism, geopolitical risks etc) in key markets impacting demand for thl products. Pandemic risks may reduce over time given progress with global vaccinations, however geopolitical risk increasing, with increased volatility in regions. Continued risk of new or existing competitors disrupting market although risk to thl is decreasing.	Significant disruption to the RV market. Reduction in financial profitability, travel, demand for used and new vehicles.	Active monitoring of global trends and economic environment. Plan for agility and diversification in business models, markets and fleet. Minimise long-term fixed costs e.g. property. Minimise long-term commitments where possible but plan for creating and protecting value over long-term.	
Extreme weather events including from climate change	Risks from extreme weather events including those caused by climate change impacting operations remain high given floods in NZ and Europe, extreme weather in UK, wildfires in Australia, US.	Operational disruption such as from bush fires requiring customers to be redirected using our telematics system. Additional compliance requirements as increasing regulations to control environmental impacts. Limited recovery of international travel after COVID-19.	Adapt business model towards zero emissions and monitor and adapt to climate-related events. Our long-term key mitigation planning is through our Future Fleet programme, our Enterprise Risk Management Framework (in the process of aligning with TCFD requirements) and the implementation of the Future-Fit methodology across all our operations.	



To proactively manage our risks in a world where uncertainty is the 'new norm', we have a new, executive-level Risk & Improvement Committee ('RIC', taking over from the previous Enterprise Risk Steering Committee) and a new operational Risk Champions Network ('RCN'). Board oversight continues to be provided by the Sustainability & Risk Committee ('SRC'). See Risk Governance section in this report for more information.

Our focus in the coming financial year will be not simply on risk, but also opportunities for improvement across the business. Below are the key short, medium and long-term strategic risks and 'Front and Centre' operational risks as agreed by the RIC.

Risk	Detail	Impact	Risk controls	Relevant Capitals – see about this report section for more information
Megatrends in tourism	Risks from megatrends in tourism remain high. These include changing customer expectations leading to changing travel patterns (short-term restrictions and long-term trends). Risk of losing social licence to operate from communities unwilling to accept impact of customer journeys remains high.	Reduction in inbound tourism reduces demand, affecting profit and ROFE. External factors increase the cost of air travel. Potential reputational impact.	Maintain influence in core market, develop new markets, source alternative revenue opportunities and continue to engage with tourism bodies. Monitor economic/external environment. Manage balance sheet ratios, flex fleet. Drive and communicate sustainability progress to meet/anticipate customer expectations.	
Supply chain disruption	Ongoing disruption to supply chains leading to e.g. increase in cost of vehicle buy/build and maintenance costs etc. Risk remains high across all regions but is increasing in intensity in the US.	Impact on delivery for customers affecting profitability. Potential reputational impact.	Maintain multiple suppliers. Reschedule sale of vehicles. Regular fleet meetings, build documents kept live. Monthly meetings to monitor production and imports. Flex staff numbers. Regular engagement with suppliers.	
Regulatory and legal compliance	In a fast-changing regulatory landscape, the risk of misinterpretation of regulation and non-compliance remains high.	Reputational, legal and financial impacts, e.g. exposure to litigation.	Daily monitoring of legal policy and compliance changes to ensure that our operations continue to comply. Examples of these policy changes are definition of essential services, work from home orders and mandates around certain PPE.	
Product	Lack of cost-effective long-range product options which can materially reduce greenhouse gases (GHGs) and are able to deliver customer proposition. Risk remains high but anticipate risk will decrease as key OEMs signaling an increase in supply of suitable EV chassis. Technological and obsolescence risks from changing fuel and vehicle technologies remain high.	Loss of demand, reputational impact. Ongoing product harm caused through GHG emissions. Financial impact.	Delivery of the Future Fleet programme (under way): mapping key stakeholders for EVs, biofuels, hybrids and hydrogen vehicles; identifying and tracking tipping points for each technology; identifying and engaging suitable partners in each region; investing in pilot projects/prototypes; participating in industry groups such as Low Emission Vehicles (LEV), Transport Emissions Knowledge Hub (TEKH); making submissions on transport industry papers.	
Workforce	Labour supply, recruitment and retention, wellbeing, wage rates in a COVID-19 context. Labour supply risk is high and increasing. Retention risk remains high, especially in a NZ context given the closed border and record low unemployment rate.	Lack of labour supply impacts ability to deliver to customers and profitability. Impact on existing crew wellbeing.	Staged process to raise wages to thl Future-Fit wage.	



# divisional reports

## Rentals & Sales New Zealand – A challenging market context

The FY21 EBIT was a loss of \$14.7M, compared to \$30.2M profit in the pcp. The focus on vehicle sales through the Great New Zealand Motorhome Sale led to a vehicle sales revenue result of \$100.9M from 1,255 vehicles sold, reflecting in excess of 100% growth on the pcp revenue of \$45.9M.

The New Zealand business has historically had over 90% of its rentals customers come from international markets. With a fleet size at the start of the year of 2,532 and international borders closed, the business was unable to increase domestic business or reduce costs to offset the loss of international business. Notwithstanding these challenges, at an EBITDA level the business did break-even and contributed significant operating cash flow.

With the shift to focus on vehicle sales, over the financial year the business has reduced its fleet size to 1,547 vehicles and reduced its funds employed from \$152M to \$100M. Margins on vehicle sales continued to improve over the year with the average margin in FY21 exceeding the pcp by 49%.

There has been an intentional focus on growing the domestic-focused revenue streams, including retail accessory sales and servicing or repair work for private customers. Across these areas, the business achieved revenue growth of over 50% and on a combined basis these business units now deliver over \$5M in revenue. The business has been able to use the focus on domestic revenue opportunities to leverage underutilised branch capacity and labour for these growing sub-business units. Fixed costs have been leveraged with immaterial capital outlay for stock and equipment.

The New Zealand business is expected to continue to incur losses whilst international borders remain substantially closed. Under these circumstances the business

will continue to assess whether to reduce fleet and return funds to the group. Reducing the capital exposure and operating losses is balanced with the value of retaining optionality to grow the business back at an appropriate pace once borders open. We expect the New Zealand business to reduce the funds employed further in the FY22 year.

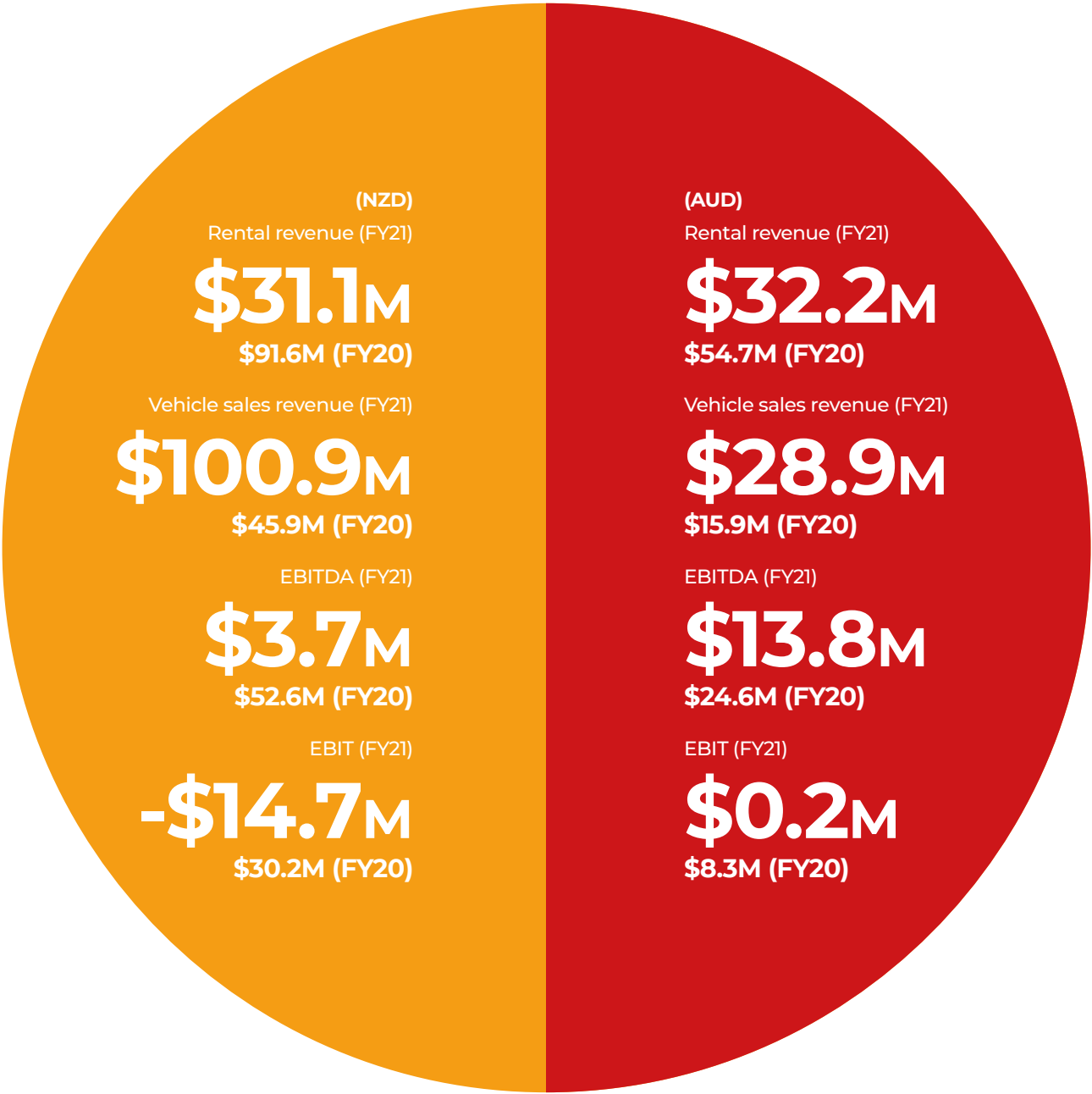
The New Zealand Rentals & Sales business has generally contributed over 50% of *thl*'s pre-pandemic EBIT performance and as such it is important for *thl* to retain the ability to regrow the business as the international market returns.

The most significant external factor for the business's FY22 performance will be the extent of Trans-Tasman travel for the H2 summer season. Prior to the suspension of Trans-Tasman travel, the business was experiencing positive forward booking indications with up to 40% of new bookings originating from Australia.

The business will continue to capitalise on the current sales market by driving vehicle sales, and has purchased new vehicles that will be delivered during FY22. Vehicle sales quantities are expected to return closer to historical norms due to stock levels.

### Future-Fit progress

A Future-Fit Benchmark workshop was held with the New Zealand Rentals lead team to prioritise Future-Fit goals and to inform Branch Action Plans and improvement projects. Action Plans for each branch are in development. Goals reviewed included: GHG emissions, waste, water and renewable energy and community and ecosystem health. Planning work for the new Auckland branch is under way with a focus on Future-Fit Goals.



## Rentals & Sales Australia – A healthy domestic business

The Australian business delivered a positive EBIT result of AUD\$0.2M. Albeit small, the result is a commendable achievement in the operating environment that included numerous lockdowns across the financial year.

As mentioned in previous guidance, there is confidence in the ability of this business to be profitable in a domestic-only environment, provided there are no domestic travel restrictions. The business had a record EBIT result compared to all previous May months. Compared to the New Zealand business, there is a more favourable relativity between fleet size to the domestic population. Additionally, the Australian market has many distinct RV travel destinations, supporting returning domestic customers.

The Australian business also delivered a record vehicle sales year, with vehicle sales revenue up on the pcp by 82% to AUD\$28.9M. Average sales margins across the year increased by 26%. As with vehicle sales in the other business jurisdictions, over the long-term we expect margins to return to the historical norm as the business starts to sell fleet purchased under the current conditions with cost inflation.

Across *thl* we have taken the opportunity of a new demand environment and no historical trends to create a new model of pricing, with a deep review of customer elasticity.

During the second half of FY21, the Australian business commenced implementing these new strategies and achieved total average yields well in excess of previous norms. Whilst pricing will always reflect both demand and supply, the lessons from these alternative pricing strategies, based on consumer elasticity by market and booking time, provide a positive outlook once interstate travel restrictions are lifted.

While the business saw some activity originating from New Zealand following the opening of Trans-Tasman travel, more generally the Australian business does not stand to benefit as much as the New Zealand business in an open Trans-Tasman travel environment, given the relative size of the domestic populations. A key factor for the business's performance in FY22 will be the extent to which all domestic borders are open for travel across the financial year. While the peak summer season will be important, relative to New Zealand the customer demand in Australia is more consistent across the year.

Given the positive domestic activity the business has experienced in the second half of FY21, the business will focus on retaining a similar pricing approach. The long-term benefit is expected to improve low and shoulder seasons.

### Future-Fit progress

Australian Rentals Future-Fit Branch Action Plans have been developed. Monthly sprints with Branch Managers focussing on energy, water, waste and emissions have been completed, and our community contribution sprint is ongoing. Targets have been set and improvement projects are underway. In FY21, we extended our Travel with Heart Responsible Travel programme to Australia, launched a Sustainable Procurement pilot and started reviewing options for renewable energy at our branches.



Rentals & Sales US

– The standout performer in FY21

The US business delivered an FY21 EBIT of USD\$9.5M, exceeding its FY20 EBIT by approximately USD\$2.5M. The US business benefited from the ‘Year of the RV’ and capitalised on favourable conditions as average yields in the domestic rentals market exceeded those in the international rentals market, and there were generally fewer inter and intra-state travel restrictions compared with other markets. Additionally, RVs were seen as a safe form of contained personal travel, aptly described by one media outlet as a ‘COVID-free cocoon’. The demand for outdoor travel surged as other traditional forms of tourism (such as airlines, theme parks and cruises) were closed or deemed too risky from a COVID-19 infection risk perspective.

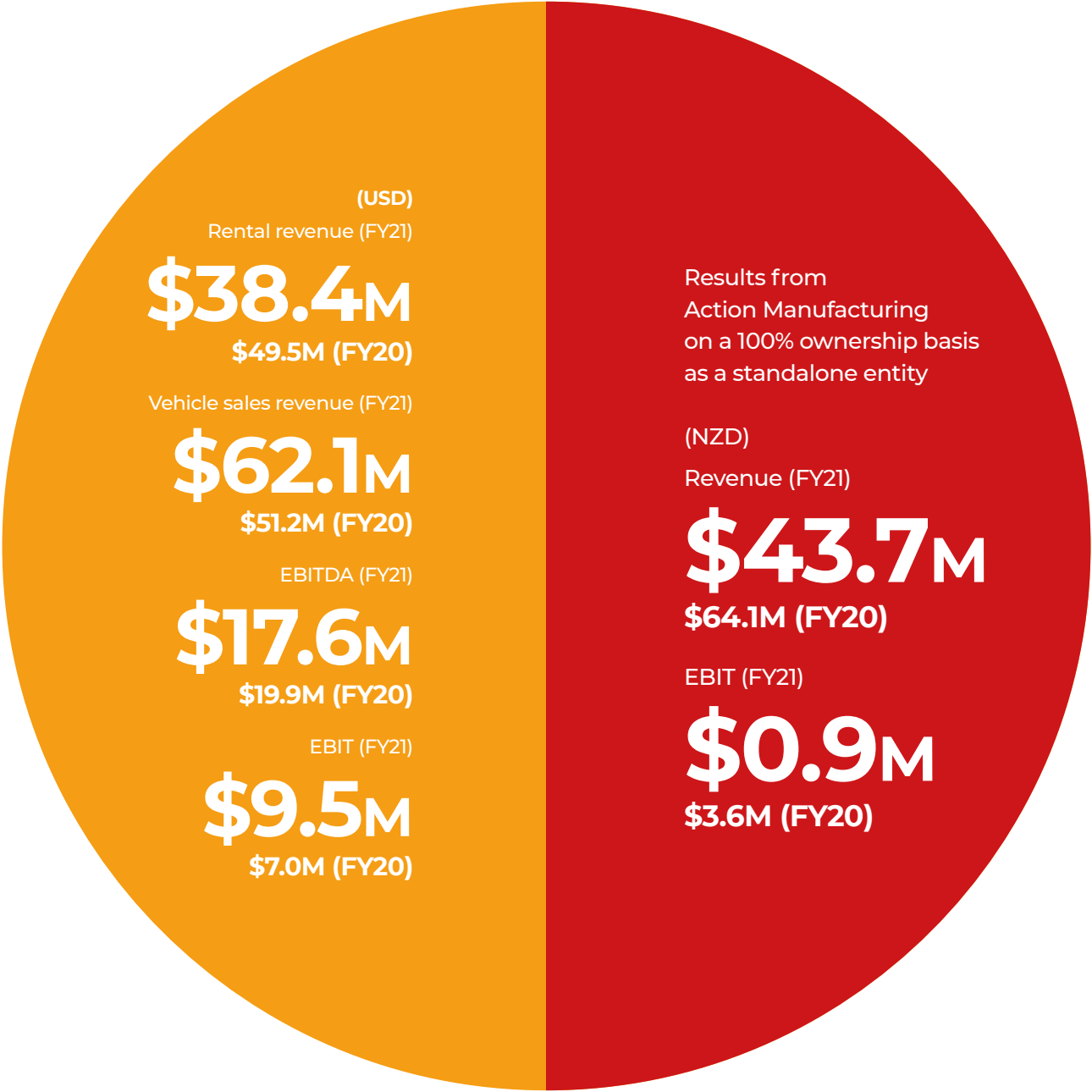
While vehicle sales revenue only increased by 21% on the pcpc, the contribution of the vehicle sales business to the overall profitability far exceeded that due to the strong margins on sale.

During the last quarter of the financial year, the business focused sales efforts on the retail channel to maximise sales margins while retaining an appropriate sized rental fleet for the summer season, given the increasing risks of supply chain delays. This proved to be successful, with average sales margins in FY21 exceeding the pcpc by 73%. The strong vehicle sales market has continued into FY22 and we expect it to do so for the remainder of CY21 at a minimum. Similar to other markets, we expect that sales margins will return to a more normal level at some point in FY22 or FY23.

Following a strong domestic rental demand environment in FY21, the business experienced a reduction in rental demand over the CY21 summer season relative to the last season. The trend is partly due to the re-opening of other leisure activities within the US (a reversal of some of the growth described in the opening paragraph above) and the opening of international tourism from the US into a number of other countries (whilst flows of international tourists into the US has not yet commenced). This trend has meant that the rental performance has been lower than earlier expectations and the pcpc.

Future-Fit progress

All Road Bear and El Monte RV branches reviewed the impact of their completed Year One Action Plans. Updated Action Plans have been put in place for all branches with new targets for each focus area: energy, water, waste, emissions and community contribution. High-impact priority projects have been identified and improvement projects are under way. We continued to expand the US Travel with Heart Responsible Travel programme to promote and encourage responsible RV travel, water conservation and protecting special places. We provided new online content and in-store information for customers, and refresher training for customer teams.



Action Manufacturing

– Prepared for the next stage of growth

thl acquired the remaining 50% interest in Action Manufacturing (Action) effective from 1 March 2021. In this divisional review we refer to Action’s FY21 and pcpc results on a 100% ownership basis, and inclusive of intercompany vehicle sales and revenue profits that are eliminated at a group level in the statutory accounts, to give insight into the Action business’s standalone performance. Refer to the financial statements for further detail on the financial performance of Action from a thl group perspective.

Action delivered an EBIT of \$0.9M in FY21, down \$2.7M on the pcpc. Sales revenue was down 32% to \$43.7M, primarily due to the loss of motorhome income as thl focused on reducing fleet in New Zealand and Australia. The profitable result is a commendable achievement and validates that Action’s strategic diversification beyond motorhome rentals over the last several years was the right thing to do.

The Action business has been successfully focusing on growing its non-motorhome business for several years. Through its expert design capabilities and agile approach to business, Action has won a number of tenders across both public and private sectors in the last 12 months. The public sector work, primarily involving vehicles for essential services, is by its nature, less cyclical and provides a natural counterbalance to the motorhome side of the business. Following the significant restructuring at the Albany (motorhome) branch in early 2020, the business has now recommenced the RV manufacturing lines in that branch for the thl rentals divisions, as thl starts to reinvest to replace some of the high volumes of fleet sold during the financial year.

To meet the demand from both the motorhome and commercial aspects of the business, Action has been on a strong recruitment drive, bringing on 58 new employees in recent months. At a simple level, growth of a manufacturing business requires an increase in labour hours, an increase in machinery and/or an increase in efficiency.

For FY22, Action is investing in all of these factors. Numerous initiatives are underway to ensure the business is operating in an efficient manner and maximising utilisation of assets, including the re-introduction of a nightshift programme at the Hamilton manufacturing site.

The refrigerated truck and trailer body manufacturing segment of the business, Fairfax Industries, has also seen a positive recovery in activity as businesses catch up on capital expenditure that was delayed in the midst of the COVID-19 pandemic. The transport market, which has been a unique market that in some ways benefited from the pandemic, is expected to continue to grow, supplemented by the increasing demand for last-mile delivery services. There are currently low stock levels more broadly across the sector, which is supporting a strong forward book for the business.

While Action, across all of its segments, has been experiencing supply chain challenges like many, these are being managed well by the Action team through good stock management and leveraging long-term relationships with suppliers.

The outlook for this business is positive from both a motorhome and commercial perspective, as the business continues to win new work in the commercial space while thl also ramps up its Australasian fleet requirements for the return of international tourism. The business is also exploring various growth acquisition opportunities to supplement its core commercial elements.

Future-Fit progress

While Action is at the start of their Future-Fit journey, they have been undertaking sustainability initiatives for several years including waste reduction, recycling and exploring circular economy models for their products. The crew at Action Manufacturing dedicate time each day to consider how to support Papatūānuku (the land: a powerful Māori earth mother figure) by making improvements to help the environment.



New Zealand Tourism  
– Doing good things in the domestic environment

The New Zealand tourism division had an EBIT loss of \$0.6M, down \$4.6M on the pcp. Operating costs were strongly managed in order to mitigate the impact from an 82% decline in revenue from \$30.7M in the pcp to \$5.4M in FY21.

Discover Waitomo has remained operational with the support of funding from the Strategic Tourism Asset Protection Programme (STAPP) across FY21. In total, the business has recognised approximately \$1.7M of grant funding under the STAPP. This funding directly went to maintaining jobs in the business. **thl** ultimately decided not to take up the offer of a \$2M loan.

The business has, in partnership with the Department of Conservation (DOC), successfully operated the first Kaimahi for Nature programme through the Jobs for Nature Government initiative, where **thl**'s crew work in conservation in addition to their primary tourism role with **thl** to top up their hours to full-time. The full Kaimahi for Nature story is detailed in this report. Under the Kaimahi for Nature programme, in CY21 the business will pass through \$500k which will fund the wages of crew whilst they are undertaking conservation work. The programme has recently been extended for CY22.

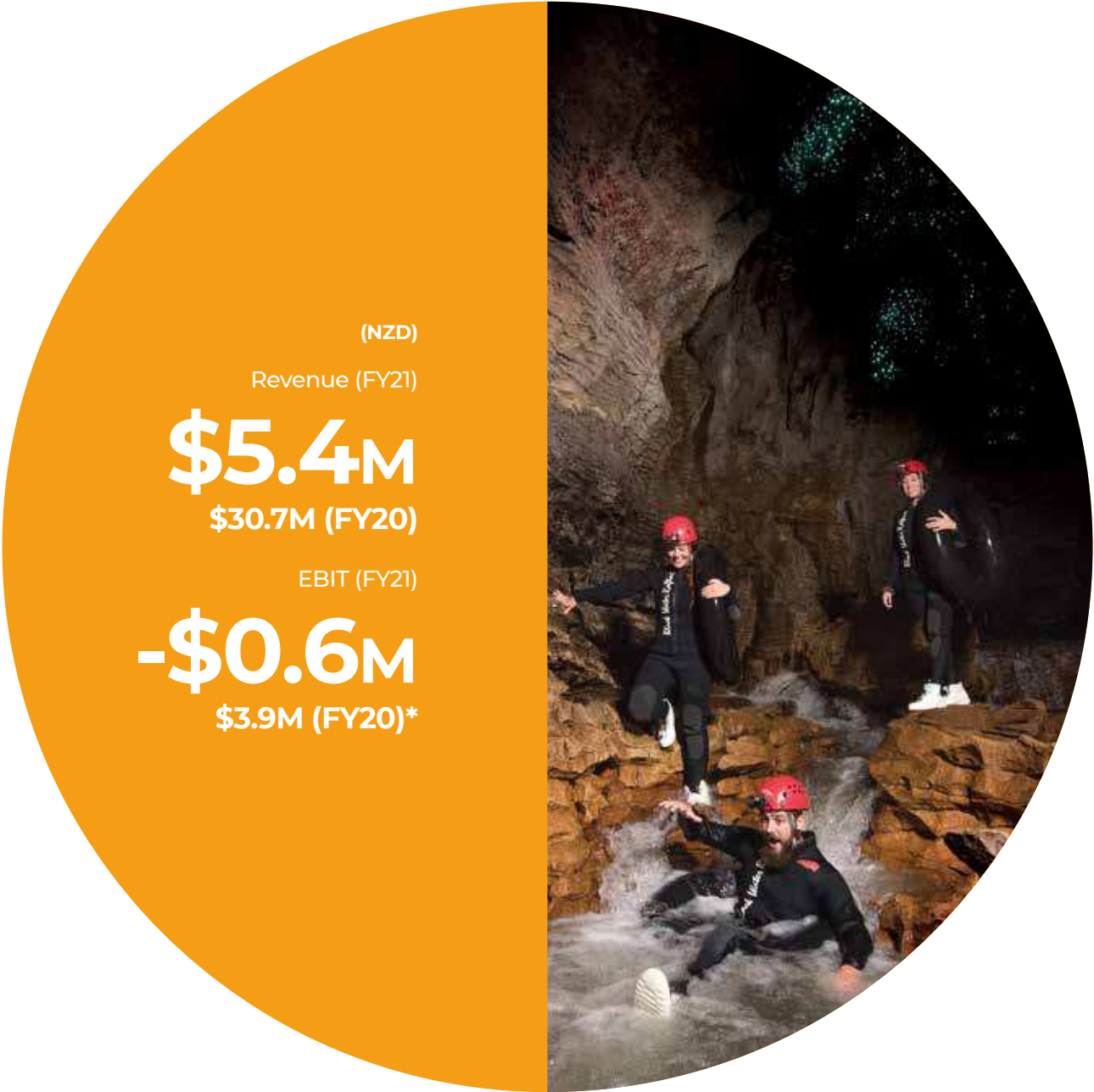
Demand generation has been driven hard over the year. New initiatives and events including Arts Month and a concert in the Glowworm Caves have been implemented by the team to give New Zealanders a reason to come to the region, even if they have already seen the caves.

The business and community, together with Government support, pushed hard to bring economic activity to the region and to support the locality.

In a normal environment with international tourism, the New Zealand Tourism businesses deliver strong cash returns and require minimal capital investment. Historically, the EBIT margin for the businesses has sat between 25 to 30%, well in excess of **thl**'s other business segments. Whilst the current conditions have been challenging, the business is prepared for the recovery, with the Waitomo Homestead Cabin facilities having recently been completed. The facilities are now set up with new two-bed, four-bed and family cabins, in addition to the restaurant/bar and conference facilities.

Similar to the New Zealand Rentals business, given the reliance of Discover Waitomo on international tourism, it is expected that it will continue to remain in a loss-making position in a domestic-only environment. Should the operating environment remain unchanged (i.e. no meaningful Trans-Tasman travel), the business will likely have a greater loss in FY22, given that it no longer has funding under the STAPP.

There is confidence that this business will ultimately return in a positive manner and **thl** is focused on ensuring it is a model for regenerative tourism in New Zealand and for the benefit of all stakeholders. The EBIT margins achievable in this business are significant and we remain confident the business will deliver strong financial results in the future.



Kiwi Experience remained largely hibernated across the financial year but has recently started operating a small number of group tours, as that product is more suited to the domestic environment. It is expected the business will remain in hibernation until there is greater certainty around the return of international tourism to New Zealand.

Future-Fit progress

Discover Waitomo continues to be deeply committed to sustainability through their values of Kaitiakitanga, Manaakitanga and Whanaungatanga. As kaitiaki (guardians) of a unique 'cave and karst' landscape including glowworms, our care is world-leading and delivers on the New Zealand responsible travel Tiaki Promise by:

- Planting and fencing to exclude livestock, enhancing the Waitomo catchment and its awa (rivers)
- Partnering with DOC in pest eradication, benefitting biodiversity
- Helping manuhiri (visitors) reduce their carbon footprint, by offering souvenirs 'good for a lifetime'
- Eliminating single use plastics and reducing waste generation
- Educating manuhiri on all of the above and making their visit to New Zealand safe and memorable.

A Future-Fit Benchmark workshop was held with the Discover Waitomo lead team to prioritise Future-Fit goals including: GHG emissions, waste, water and renewable energy and community and ecosystem health. Planning for improvement projects is under way.

Our RVs are not just used by our customers, we're also proud to have them used by charities and community groups such as the Graeme Dingle Foundation.



"Thank you again for **thl**'s continued support of our programmes and the work you have done. Our work would be much more difficult without it."

The Graeme Dingle Foundation

\*The FY20 result is inclusive of the \$3.1M write-down of goodwill for Kiwi Experience



thl digital

– A leaner Australasian-focused division

The **thl** digital business unit undertook a strategic review in early CY21 to assess the various future pathways for each of the business units within the digital portfolio. **thl** has since implemented a number of the actions and changes identified in the review. The review positions the business and **thl**'s digital strategy into an Australasian focus with greater alignment with **thl**'s core RV rentals businesses, as was intended following the managed exit from Togo Group in March 2020.

The completion of Cosmos, our new pricing, booking and fleet management system, which was rolled out to the New Zealand and Australian rentals businesses was a significant milestone for both **thl** digital and the rentals businesses. The new system is expected to help drive higher utilisation through more accurate fleet management, a better customer booking experience, stronger pricing controls and flexibility to continue development in a bespoke manner that provides competitive advantage to **thl**. Scoping of the additional features required to launch the system in our US business is underway.

With a changing customer profile while borders remained closed, the business paused spend on customer Wi-Fi plans and undertook a review of current and future customer needs, alongside the aims of **thl**'s Telematics product offering.

As a result, the business made some changes in structure, reducing the overall team responsible for Telematics, and shifted management of the product into the New Zealand and Australian rentals businesses in order to create greater alignment between product development and operations. This change is expected to deliver benefits in operational costs, business efficiencies and enhanced customer experience.

Each of the Highway and SHAREaCAMPER businesses continue to operate in the New Zealand market (SHAREaCAMPER is also established in Australia). Following the strategic review, the businesses have implemented actions to realise greater synergies between the two operations. While conditions remain challenging with borders closed, there are further growth opportunities in the short-term and it is expected that the P2P market will recover with pace as international demand returns.

In August 2021, Jo Hilson joined the **thl** Executive team as Chief Technology Officer. Jo will be leading the integration of **thl** digital and **thl**'s IT operations teams and will have responsibility for all business units under the **thl** digital brand going forward.



Equity investments

Just go

**thl**'s share of Just go's NPAT was \$759k, up by approximately \$1.1M from the loss in the pcp. The result is a significant achievement considering that during FY21, the UK had 5.5 months of enforced closure with no non-essential travel permitted.

The Just go crew provided significant support to the business in challenging circumstances, not only operating in a COVID-19 environment throughout the year but also addressing the challenges posed by Brexit on the normal factory collection process from Italy.

Just go has experienced the positive trend in vehicle sales that has been seen in **thl**'s other markets, with the number of vehicles sold in the UK retail channel exceeding the pcp by over 300% and strong margins maintained. This trend has continued into the early part of FY22. While the rentals aspect of the business suffered in FY21 due to the enforced closures, there has been positive pent-up demand in the second half of the CY21 summer, with the business already

exceeding expectations for the first quarter of FY22.

The business was supported by various Government COVID-19 related schemes which enabled the retention of crew. The business continues to have some Government support in FY22, however this comes to an end at the start of October 2021.

Just go has been facing the same supply chain uncertainties that have been experienced globally. Their Board is closely managing the situation and leveraging relationships with key supplier partners. Positively, the CY21 fleet has recently arrived in the UK.

Despite the recent opening of various international destinations to travellers from the UK, the requirement for PCR testing (and the associated costs), as well as the uncertainty of potential enforced isolation in a foreign country, are expected to continue to support the domestic rental market in Q1 FY22.

triptech<sup>7</sup>

The start of the financial year saw Discovery Parks exit as a shareholder of triptech, with their shares being transferred to **thl** and GTR Ventures (an entity associated with Gerry Ryan of Jayco). This increased **thl**'s total shareholding to 60%.

As with all of **thl**'s businesses, the demand profile for triptech's products has changed significantly with borders being closed. The business has been focused on retaining its customer base, many of whom have also been impacted by the loss of international tourists. The business equally has sought to align its cost base to the changed conditions.

With it appearing more likely that the operating environment will be impacted by COVID-19 for an extended period, a further review of costs was undertaken at the back end of the FY21. This resulted in a meaningful reduction in operating costs going forward. Positively, almost all of triptech's data and app subscriptions have been renewed through the key renewal period in June and July 2021 and there is a strong pipeline of opportunity in both additional white labels of the CamperMate app and the app subscriptions, which will support the growth of additional recurring revenue.

In June 2021, the CEO Nick Baker departed for a new role within the industry. Matt Johnson, previously the CFO, has now stepped into an acting COO role, reporting to the triptech Board.



# thl at a glance

## New Zealand

Auckland, Waitomo, Hamilton, Wellington, Christchurch, Queenstown



Note: Employee and fleet size numbers as of 30 June 2021

## Australia

Melbourne, Sydney, Brisbane, Cairns, Darwin, Broome, Alice Springs, Perth, Adelaide, Hobart



## US

Los Angeles, San Francisco, San Bernadino, Newport Beach, Van Nuys, Corona, Victorville, Sacramento, Santa Cruz, San Diego, Las Vegas, Reno, Seattle, Ferndale, Denver, Orlando, Miami, New Jersey-New York, Dallas, Salt Lake City, Baltimore



## Equity Investments

London, Edinburgh, Sydney



Franchised operations in Japan and Southern Africa



# FY21 carbon footprint analysis

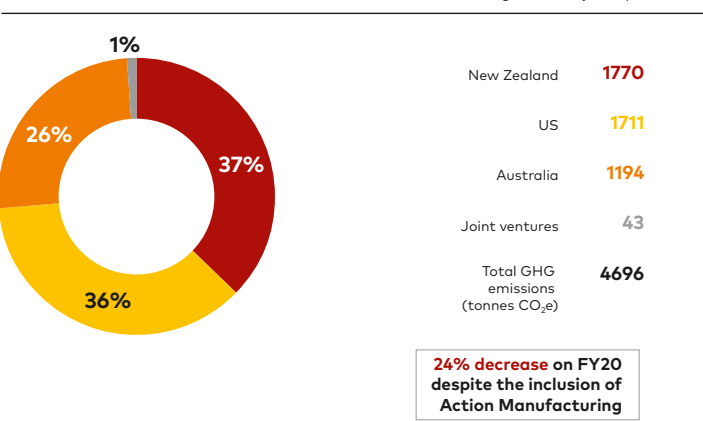
Climate change is considered a high strategic risk for *thl* and we recognise that our diesel and petrol RVs create pollution and contribute to climate change. We manage this risk through our Future Fleet programme, described in this report, but we are still early on our journey.

Being a Future-Fit business means we are committed to managing, minimising and ultimately eliminating our Greenhouse Gas emissions (GHG). COVID-19 had a profound impact on our operational emissions in FY20 and continued to impact our emissions in FY21. In FY21, group-wide emissions across all business units fell by 24% from the pcp, with a total decrease of 41% against our updated baseline year of FY19.

Given the ongoing impact of COVID-19, customer journey emissions have continued to be reported separately. We have seen a 13% reduction in customer journey emissions on FY20.

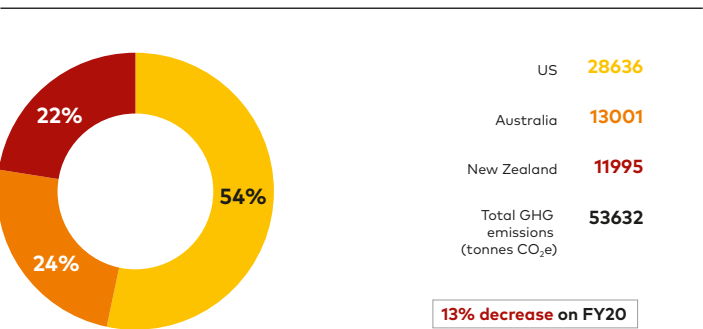
Our FY21 carbon footprint has been independently verified by McHugh & Shaw. It is considered consistent with the mandatory requirements of ISO 14064-1:2018 with a 5% materiality threshold, Limited Assurance.

Group-wide Operational GHG Emissions / Carbon Footprint FY21\*  
(tonnes CO<sub>2</sub>e)



NOTE: JV figures include *thl* digital as per previous years. From FY22 this will be captured in New Zealand.

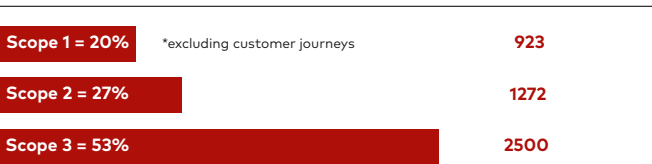
Group-wide Customer Journey GHG Emissions FY21  
(tonnes CO<sub>2</sub>e)



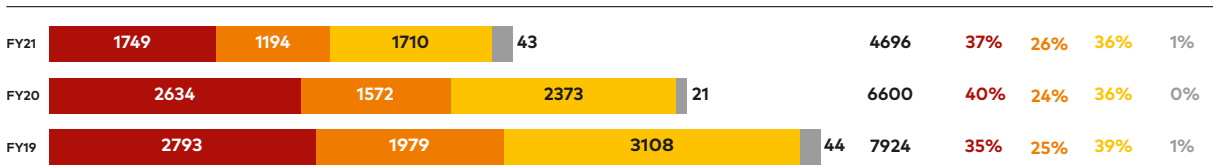
## Our operational carbon footprint includes:

- **Scope 1** – Transport fuel used in our company cars, fuel used at our sites (LPG, natural gas, diesel) and customer journeys which are in Scope 1 but are reported separately.
- **Scope 2** – Emissions associated with purchased electricity.
- **Scope 3** – Diesel used in leased Kiwi Experience coaches and fuel used by staff commuting to work; air and taxi travel; waste sent to landfill; motorhome maintenance materials (replacement tyres, batteries and water). Note: Operational carbon footprint excludes customer journey emissions.

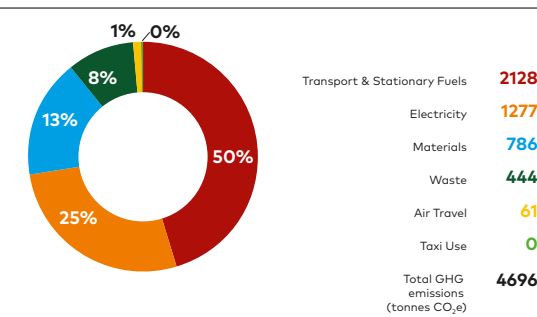
Group-wide Operational GHG Emissions by Scope FY21\*  
(tonnes CO<sub>2</sub>e)



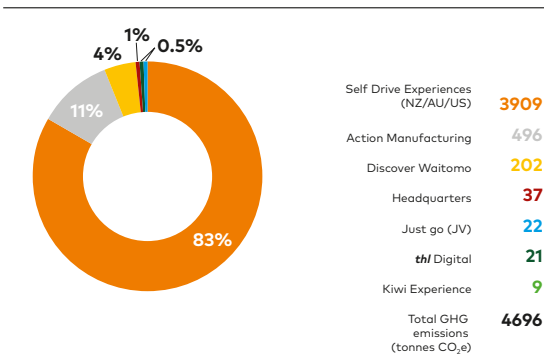
Group-wide Operational GHG Emissions year-on-year\*  
(tonnes CO<sub>2</sub>e)



Group-wide GHG Emissions by Emission Source FY21\*  
(tonnes CO<sub>2</sub>e)



GHG Emissions by Business Unit FY21\*  
(tonnes CO<sub>2</sub>e)



Our footprint data for FY19, FY20 and FY21 has been restated as we now have 100% ownership of Action Manufacturing and have moved to carbon reporting software with updated carbon coefficients.




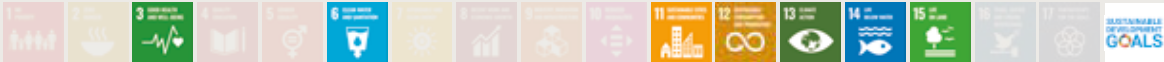




Our FY22 carbon footprint will be published in our next Integrated Report with an overview of our Climate and Carbon Strategy which includes:

- Reporting on our climate risks and opportunities aligned with TCFD requirements;
- Our full GHG inventory (including comprehensive Scope 3);
- The setting of a Science Based Target aligned with 1.5° global warming; and
- Decarbonisation pathways.

The decarbonisation pathways we set will be based on robust carbon scenarios developed for each country of operation (New Zealand, Australia and the US) and will respond to the variation in: grid mixes; availability of suitable technologies; and Government and state-level policies. The scope of these scenarios will broaden over time.



# Future-Fit and the UN Sustainable Development Goals

Break-Even Goals that every business must strive to reach	Properties of a Future-Fit Society	Alignment with the Sustainable Development Goals
BE01: Energy is from renewable sources	Energy is renewable and available to all	
BE02: Water use is environmentally responsible and socially equitable	Water is responsibly sourced and available to all	
BE03: Natural resources are managed to respect the welfare of ecosystems, people and animals	Natural resources are managed to safeguard ecosystems, communities and animals	
BE05: Operational emissions do not harm people or the environment	The environment is free from <b>pollution</b>	
BE18: Products emit no greenhouse gases		
BE17: Products do not harm people or the environment		
BE07: Operational waste is eliminated	Waste does not exist	
BE19: Products can be repurposed		
BE08: Operations do not encroach on ecosystems or communities	Our <b>physical presence</b> protects the health of ecosystems and communities	
BE09: Community health is safeguarded	People have the capacity and opportunity to lead fulfilling lives	
BE12: Employees are subject to fair employment terms		
BE13: Employees are not subject to discrimination		
BE14: Employee concerns are actively solicited, impartially judged and transparently addressed		
BE15: Product communications are honest, ethical, and promote responsible use		
BE16: Product concerns are actively solicited, impartially judged and transparently addressed		
BE04: Procurement safeguards the pursuit of future-fitness		
BE23: Financial assets safeguard the pursuit of future-fitness	Social norms, global governance and economic growth <b>drive</b> the pursuit of future-fitness	
BE22: Lobbying and advocacy safeguard the pursuit of future-fitness		
BE21: The right tax is paid in the right place at the right time		
BE20: Business is conducted ethically		



# financial statements

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## Directors' statement

The Directors of Tourism Holdings Limited (**thl**) are pleased to present to shareholders, the Annual Financial Statements for **thl** and its controlled entities (together the 'Group') for the year to 30 June 2021.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly, in all material respects, the financial position of the Group as at 30 June 2021 and the results of the Group's operations and cash flows for the year ended on that date.

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

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

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

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

This document constitutes the 2021 Annual Report to Shareholders of Tourism Holdings Limited.

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



**Rob Campbell**  
Chair



**Rob Hamilton**  
Chair of the Audit Committee

25 August 2021

**thl** seeks to ensure the market has the information it needs, in a form that is useful for investors, creditors, insurers and other users of annual reports, to allocate investments in a way that contributes to a low-emissions, climate-resilient economy. In order to do this, **thl** will voluntarily disclose climate-related financial risks and opportunities, in alignment with TCFD recommendations in the FY22 Integrated Report.



# Consolidated income statement

For the year ended 30 June 2021

	NOTES	2021 \$000's	2020 \$000's
Sales of services	2	130,033	257,437
Sales of goods	2	229,140	143,493
<b>Total revenue</b>		<b>359,173</b>	<b>400,930</b>
Cost of sales	2	(186,033)	(125,502)
<b>Gross profit</b>		<b>173,140</b>	<b>275,428</b>
Administration expenses	4, 5	(37,861)	(44,212)
Operating expenses	4, 5	(150,000)	(185,685)
Other income	3	6,460	3,080
<b>Operating (loss)/profit before financing costs*</b>		<b>(8,261)</b>	<b>48,611</b>
Finance income	6	41	427
Finance expenses	7	(10,888)	(13,369)
<b>Net finance costs</b>		<b>(10,847)</b>	<b>(12,942)</b>
Share of profit/(loss) from associates	20	718	(376)
Share of profit/(loss) from joint ventures	19	18	(9,151)
<b>(Loss)/profit before tax</b>		<b>(18,372)</b>	<b>26,142</b>
Income tax benefit	8	3,858	1,214
<b>(Loss)/profit for the year</b>		<b>(14,514)</b>	<b>27,356</b>
<b>(Loss)/profit is attributable to:</b>			
Non-controlling interests	20	(839)	-
Equity Holders of the parent		(13,675)	27,356
<b>(Loss)/profit for the year</b>		<b>(14,514)</b>	<b>27,356</b>
<b>(Loss)/earnings per share from profit for the year attributable to the equity holders of the company</b>	9		
Basic (loss)/earnings per share (in cents)		(9.2)	18.6
Diluted(loss)/earnings per share (in cents)		(9.1)	18.6

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

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

# Consolidated statement of comprehensive income

For the year ended 30 June 2021

	NOTES	2021 \$000's	2020 \$000's
<b>(Loss)/profit for the year</b>		<b>(14,514)</b>	<b>27,356</b>
<b>Other comprehensive losses</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve movement (net of tax)	24	(8,929)	(2,624)
Cash flow hedge reserve movement (net of tax)	32	3,078	(2,212)
<b>Other comprehensive losses for the year net of tax</b>		<b>(5,851)</b>	<b>(4,836)</b>
<b>Total comprehensive (loss)/income for the year attributable to equity holders of the Company</b>		<b>(20,365)</b>	<b>22,520</b>
<b>Total comprehensive (loss)/income for the year is attributable to:</b>			
Equity holders of the Company		(19,526)	22,520
Non-controlling interests		(839)	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(20,365)</b>	<b>22,520</b>

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



# Consolidated statement of changes in equity

For the year ended 30 June 2021

NOTES	SHARE CAPITAL \$000'S	RETAINED EARNINGS \$000'S	CASH FLOW HEDGE RESERVE \$000'S	OTHER RESERVES \$000'S	NON- CONTROLLING INTERESTS \$000'S	TOTAL EQUITY \$000'S
Opening balance as at 1 July 2020	269,988	55,815	(6,695)	5,991	–	325,099
Comprehensive income						
Net loss for the year	23	–	(13,675)	–	(839)	(14,514)
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	32	–	–	3,078	–	3,078
Foreign currency translation reserve movement (net of tax)	24	–	–	–	(8,929)	(8,929)
Total comprehensive (loss)/income		–	(13,675)	3,078	(8,929)	(20,365)
Transactions with owners						
Issue of ordinary shares (net of issue costs)	22	7,773	–	–	–	7,773
Acquisition of non-controlling interests	20	–	–	–	(2,020)	(2,020)
Transfer from employee share scheme reserve	24	31	173	–	(204)	–
Employee share scheme reserve	24	–	–	–	2,112	2,112
Total transactions with owners		7,804	173	–	1,908	7,865
Closing balance as at 30 June 2021		277,792	42,313	(3,617)	(1,030)	312,599

For the year ended 30 June 2020

	NOTES	SHARE CAPITAL \$000's	RETAINED EARNINGS \$000's	CASH FLOW HEDGE RESERVE \$000's	OTHER RESERVES \$000's	TOTAL EQUITY \$000's
<b>Opening balance as at 1 July 2019</b>		217,012	56,176	(4,483)	8,312	277,017
<b>Adjustment on adoption of NZ IFRS 16 (net of tax)</b>		–	(7,150)	–	–	(7,150)
<b>Comprehensive income</b>						
Net profit for the year	23	–	27,356	–	–	27,356
<b>Other comprehensive income</b>						
Cash flow hedge reserve movement (net of tax)	32	–	–	(2,212)	–	(2,212)
Transfer foreign currency gain to income statement in relation to Togo transaction	24	–	–	–	(9,066)	(9,066)
Foreign currency translation reserve movement (net of tax)	24	–	–	–	6,442	6,442
<b>Total comprehensive income</b>		–	27,356	(2,212)	(2,624)	22,520
<b>Transactions with owners</b>						
Dividends on ordinary shares	10	–	(20,567)	–	–	(20,567)
Issue of ordinary shares (net of issue costs)	22	52,904	–	–	–	52,904
Transfer from employee share scheme reserve	24	72	–	–	(72)	–
Employee share scheme reserve	24	–	–	–	375	375
<b>Total transactions with owners</b>		52,976	(20,567)	–	303	32,712
<b>Closing balance as at 30 June 2020</b>		269,988	55,815	(6,695)	5,991	325,099

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

# Consolidated statement of financial position

As at 30 June 2021

	NOTES	2021 \$000'S	2020 \$000's
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	273,072	359,717
Intangible assets	17	51,121	50,267
Financial asset recognised at fair value through the income statement	29, 31	20,835	21,382
Investment in joint ventures	19	–	10,224
Investment in associates	20	4,936	4,044
Advance to joint venture		–	125
Right-of-use assets	13	62,339	69,562
Deferred tax assets	36	957	1,656
<b>Total non-current assets</b>		<b>413,260</b>	<b>516,977</b>
<b>Current assets</b>			
Cash and cash equivalents		38,087	35,514
Trade and other receivables	27	28,681	28,930
Inventories	16	57,455	68,487
Advance to joint venture		–	530
Current tax receivables		581	3,108
Derivative financial instruments	31	–	6
<b>Total current assets</b>		<b>124,804</b>	<b>136,575</b>
<b>Total assets</b>		<b>538,064</b>	<b>653,552</b>
<b>Equity</b>			
Share capital	22	277,792	269,988
Retained earnings	23	42,313	55,815
Cash flow hedge reserve	32	(3,617)	(6,695)
Other reserves	24	(1,030)	5,991
Non-controlling interests		(2,859)	–
<b>Total equity</b>		<b>312,599</b>	<b>325,099</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	25	86,659	163,322
Derivative financial instruments	31	5,124	9,193
Deferred income tax liability	36	9,989	11,886
Lease liabilities	13	64,479	74,567
<b>Total non-current liabilities</b>		<b>166,251</b>	<b>258,968</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	25	125	–
Trade and other payables	28	25,263	37,001
Revenue in advance		13,087	12,192
Employee benefits		8,017	7,214
Provisions		413	–
Derivative financial instruments	31	148	110
Current tax liabilities		3,374	5,664
Lease liabilities	13	8,787	7,304
<b>Total current liabilities</b>		<b>59,214</b>	<b>69,485</b>
<b>Total liabilities</b>		<b>225,465</b>	<b>328,453</b>
<b>Total equity and liabilities</b>		<b>538,064</b>	<b>653,552</b>

For and on behalf of the Board who authorised the issue of the consolidated financial statements on 25 August 2021.

**R J Campbell**  
Chair of the Board  
25 August 2021

**R D Hamilton**  
Chair of the Audit Committee  
25 August 2021

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



# Consolidated statement of cash flows

For the year ended 30 June 2021

	NOTES	2021 \$000's	2020 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers		150,534	248,752
Proceeds from sale of goods		222,265	143,493
Proceeds from insurance recoveries	37	1,826	–
Interest received		41	212
Dividend received		869	–
Payments to suppliers and employees		(159,783)	(193,510)
Purchase of rental assets		(119,922)	(108,790)
Interest paid		(10,878)	(13,584)
Taxation received/(paid)		2,024	(7,484)
<b>Net cash flows from operating activities</b>	35	<b>86,976</b>	<b>69,089</b>
<b>Cash flows from investing activities</b>			
Sale of property, plant & equipment		110	126
Purchase of property, plant & equipment		(1,199)	(4,125)
Advance to joint ventures		–	(11,945)
Receipt from joint ventures		353	1,000
Purchase of intangibles		(4,113)	(432)
Net cash paid as part of the step acquisition of Outdoria		(374)	–
Net cash received as part of the step acquisition of AMLP	19	4,631	–
<b>Net cash flows used in investing activities</b>		<b>(592)</b>	<b>(15,376)</b>
<b>Cash flows from financing activities</b>			
Payment for lease liability principal	13	(7,732)	(6,442)
Proceeds from borrowings	25	61,853	101,150
Repayments of borrowings	25	(136,420)	(153,938)
Dividends paid	10	–	(17,373)
Proceeds from share issue	22	304	49,280
<b>Net cash flows used in financing activities</b>		<b>(81,995)</b>	<b>(27,323)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,389</b>	<b>26,390</b>
<b>Opening cash and cash equivalents</b>		<b>35,514</b>	<b>8,837</b>
Exchange (losses)/gains on cash and cash equivalents		(1,816)	287
<b>Closing cash and cash equivalents</b>		<b>38,087</b>	<b>35,514</b>

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

# Notes to the consolidated financial statements

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About this report

Basis of preparation

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

- The consolidated financial statements (financial statements) of the Group have been prepared:
- in accordance with Generally Accepted Accounting Practice (GAAP), and comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), as applicable for a “for profit” entity;
  - in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules;
  - under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies; and
  - in New Zealand dollars with values rounded to thousands (\$000’s) unless otherwise stated.

These financial statements have been prepared on a going concern basis (refer to Note 25).

Throughout this document, accounting policies and critical accounting estimates are identified using the following key:

Key:

= Accounting policy

= Critical accounting estimate

Summary of significant accounting policies

a) Consolidation

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

Section A – Financial performance

In this section

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

1. Segment note

- The operating segments of **thl** are reported from a geographic and service type perspective. They are made up of the following business operations:
- New Zealand Rentals – Rental of maui, Britz and Mighty motorhomes, and the sale of motorhomes;
  - Action Manufacturing – Manufacturer and the sale of motorhomes and other speciality vehicles;
  - Tourism Group – Kiwi Experience and the Discover Waitomo Caves Group experiences;
  - Australia Rentals – Rental of maui, Britz and Mighty motorhomes and 4WD vehicles, and the sale of motorhomes;
  - United States Rentals – Rental and sale of Road Bear, Britz, Mighty and El Monte RVs;
  - Other – includes Group Support Services, group elimination entries and **thl** digital. **thl** digital includes Mighway, SHAREaCAMPER, Cosmos and Outdoria. The joint venture Action Manufacturing (equity accounted for up to 28 February 2021) and associate Just go are also included in this category.



Notes to the consolidated financial statements (continued)

1. Segment note (continued)

2021	RENTALS \$'000's	NEW ZEALAND ACTION MANU- FACTURING \$'000's	TOURISM GROUP \$'000's	AUSTRALIA RENTALS \$'000's	UNITED STATES RENTALS \$'000's	OTHER \$'000's	TOTAL \$'000's
Sales of services	31,057	–	5,421	34,518	56,069	2,968	130,033
Sales of goods	100,916	16,379	–	31,021	90,978	(10,154)	229,140
Total Revenue	131,973	16,379	5,421	65,539	147,047	(7,186)	359,173
Depreciation	(18,409)	(676)	(1,586)	(14,523)	(11,535)	(801)	(47,530)
Asset impairment	–	–	(46)	–	–	–	(46)
Amortisation	(12)	(1)	(666)	(36)	(106)	(346)	(1,167)
Other costs	(128,234)	(15,156)	(3,764)	(50,780)	(120,825)	68	(318,691)
<b>Operating profit/(loss) before interest and tax</b>	(14,682)	546	(641)	200	14,581	(8,265)	(8,261)
Interest income	–	–	–	1	1	39	41
Interest expense	(716)	(84)	(77)	(1,490)	(3,155)	(5,366)	(10,888)
Share of profit from joint venture and associates	–	–	–	–	–	736	736
<b>Operating profit/(loss) before tax</b>	(15,398)	462	(718)	(1,289)	11,427	(12,856)	(18,372)
Taxation	4,272	(90)	49	396	(2,286)	1,517	3,858
<b>Operating profit/(loss) – after interest and tax</b>	(11,126)	372	(669)	(893)	9,141	(11,339)	(14,514)
<b>Capital expenditure</b>	9,477	5,971	14	17,735	71,881	(853)	104,225
<b>Non-current assets</b>	92,512	13,130	18,993	82,712	166,325	39,588	413,260
<b>Total assets</b>	131,406	33,401	20,163	115,177	199,196	38,721	538,064
<b>Net funds employed</b>	100,071	19,651	17,300	55,574	122,614	46,087	361,297

Notes to the consolidated financial statements (continued)

1. Segment note (continued)

2020	RENTALS \$'000's	NEW ZEALAND ACTION MANU- FACTURING \$'000's	TOURISM GROUP \$'000's	AUSTRALIA RENTALS \$'000's	UNITED STATES RENTALS \$'000's	OTHER \$'000's	TOTAL \$'000's
Sales of services	91,580	–	30,710	57,601	77,526	20	257,437
Sales of goods	45,934	–	–	16,792	80,767	–	143,493
Total Revenue	137,514	–	30,710	74,393	158,293	20	400,930
Depreciation	(22,359)	–	(1,604)	(17,144)	(20,293)	(573)	(61,973)
Asset impairment	–	–	(3,256)	–	–	–	(3,256)
Amortisation	(9)	–	(677)	(40)	(35)	(399)	(1,160)
Other costs	(84,908)	–	(21,256)	(48,566)	(127,072)	(4,128)	(285,930)
<b>Operating profit/(loss) before interest and tax</b>	30,238	–	3,917	8,643	10,893	(5,080)	48,611
Interest income	1	–	–	–	5	421	427
Interest expense	(1,006)	–	(84)	(1,434)	(5,361)	(5,484)	(13,369)
Share of loss from joint ventures and associates	–	–	–	–	–	(9,527)	(9,527)
<b>Operating profit/(loss) before tax</b>	29,233	–	3,833	7,209	5,537	(19,670)	26,142
Taxation	(8,254)	–	(1,805)	(2,004)	(420)	13,697	1,214
<b>Operating profit/(loss) – after interest and tax</b>	20,979	–	2,028	5,205	5,117	(5,973)	27,356
<b>Capital expenditure</b>	52,779	–	1,552	20,346	36,328	1,563	112,568
<b>Non-current assets</b>	164,978	–	21,537	99,802	180,769	49,891	516,977
<b>Total assets</b>	213,585	–	22,743	116,647	235,472	65,105	653,552
<b>Net funds employed</b>	152,382	–	16,874	68,734	143,759	71,160	452,909

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

Operating profit/(loss) before interest and tax is the main financial measure used by the CODM to review the Group's performance.

Inter-segment transactions such as Group Support Services recharges are entered into under normal commercial terms and conditions that would also be available to unrelated third parties. All revenue is reported to the executive team on a basis consistent with that used in the income statement. Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment, and the physical location for assets.

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

Notes to the consolidated financial statements (continued)

2. Revenue

<b>NZ IFRS 15 'Revenue from contracts with customers'</b>	
The revenue earned by the Group is derived from the satisfaction of one or more performance obligations, which are satisfied at or over a similar period.	
<b>(i) Sales of services</b>	
Sales of services comprises rental income and service revenue.	
<b>Rental income</b>	
Rental income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction. Where the rental covers a period of more than one day, revenue is recognised on a straight-line basis based on the number of days of the booking that have occurred by year end as a proportion of the total number of days in the booking. The portion of the revenue that occurs after year end is shown as Revenue in Advance on the statement of financial position.	
<b>Service revenue</b>	
Service revenue comprises various performance obligations (rental add-ons such as accessories and customer liability reduction) in which satisfaction in most cases occurs evenly over the rental period and is recognised accordingly. The Group recognises this revenue over time, as the customer simultaneously receives and consumes the benefits provided by the entity's performance.	
Sales from tourism services are recognised when the service is rendered to the customer and are recognised in the accounting period in which the performance obligation is satisfied, being when the customer obtains the benefit from the service. It relates to the satisfaction of a number of performance obligations at a point in time; the contract price that is determined for any single performance obligation is based with reference to the stand alone price and no significant financing components exist, as the transaction is settled within 12 months from the transaction date. There are no costs to obtain or fulfil the contract.	
The Group prices its services on a fixed basis and the pricing is fixed and determinable when the duly executed arrangement is finalised. It has also been determined that there are no significant financing components as part of the Group's sale of services arrangements.	
Revenue from these sales is recognised net of the estimated discounts or other promotions. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.	
The Group recognises the contract liability which represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. It relates to the payments and deposits from the customers and are disclosed as Revenue in Advance in the consolidated statement of financial position. The average timing of satisfaction of performance obligations in relation to the payment of the contract liability is between 1-6 months.	
<b>(ii) Sales of goods</b>	
The Group sells a range of motorhomes, accessories and other merchandise. Sales are recognised when control of the goods has transferred, being when the goods are handed over to the customer and the customer has the ability to direct the use of the goods. It relates to the satisfaction of a single performance obligation at a point in time; the contract price is determined and no significant financing components exist as the transaction is settled within 12 months from the transaction date and no costs to obtain or fulfil the contract.	

Notes to the consolidated financial statements (continued)

2. Revenue (continued)

Sales of services

Sales of services includes revenue from rental of motorhomes, Wi-Fi, accessories and additional services relating to the rental of motorhomes, the sale of tourism experiences (for Kiwi Experience and Waitomo) and app subscriptions income (**thi** digital).

	2021 \$000's	2020 \$000's
Rental revenue	95,840	180,797
Service revenue	34,193	76,640
<b>Total sales of services</b>	<b>130,033</b>	<b>257,437</b>

The expected minimum lease payments to be received on lease of motorhomes, based on the booked rentals as of balance date, are as follows:

	2021 \$000's	2020 \$000's
Within one year	2,849	4,118
Within one to two years	6	-
<b>Total</b>	<b>2,855</b>	<b>4,118</b>

Sales of goods

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

	2021 \$000's	2020 \$000's
Sales of goods	229,140	143,493
Cost of goods	(184,173)	(124,302)
Vehicle selling expenses	(1,860)	(1,200)
<b>Cost of sales</b>	<b>(186,033)</b>	<b>(125,502)</b>
<b>Gross profit</b>	<b>43,107</b>	<b>17,991</b>



## Notes to the consolidated financial statements (continued)

### 3. Other operating income, net

	NOTES	2021 \$000's	2020 \$000's
Net loss on disposals of non-fleet assets		(824)	(110)
Write-off of fleet items		(1,883)	–
Proceeds from insurance recovery	37	3,112	–
Gain on exiting Mangere branch lease		1,621	–
US Paycheck Protection Program ("PPP") loan forgiveness		1,457	–
Loss on acquisition of remaining shareholding in AMLP	19	(1,406)	–
Fair value movements on financial assets recognised at fair value through profit or loss		1,178	–
Loss on Togo exit transaction	18	–	(8,383)
Foreign currency translation gain on Togo exit transaction	18	–	9,066
Other income*		3,205	2,507
<b>Other operating income</b>		<b>6,460</b>	<b>3,080</b>

\* Included within other income is \$1.7M of Strategic Tourism Asset Protection Programme funding received from NZ government, \$0.3M rent relief received as a result of COVID-19 and dividend income from the Togo Class B preference shares (note 18).

### 4. Profit before tax includes the following specific expenses

	NOTES	2021 \$000's	2020 \$000's
Donations		–	38
Depreciation	12, 13	47,530	61,973
Impairment of goodwill	17	–	3,126
Amortisation of intangible assets	17	1,167	1,160
Rental and operating lease costs		1,612	1,941
Raw materials and consumables		1,141	1,285
Repairs and maintenance including damage repairs		21,887	24,169
Internal audit fees		28	185
Net foreign exchange losses/(gains)		156	(260)
<b>Audit fees – PricewaterhouseCoopers</b>			
Audit of financial statements <sup>i</sup>		566	564
<b>Other fees – PricewaterhouseCoopers New Zealand</b>			
Treasury services <sup>ii</sup>		10	20
Agreed upon procedures <sup>iii</sup>		77	30
<b>Total fees paid to PricewaterhouseCoopers New Zealand</b>		<b>653</b>	<b>614</b>

#### Notes on fees paid to auditor:

- The fee includes the fees for the annual audit of the consolidated financial statements of **thl**.
- Treasury services in 2020 and 2021 are in relation to financial markets risk analysis and commentary.
- Agreed upon procedures in 2021 are in relation to the Waitomo lease compliance for FY20, the interim financial statements, quarterly banking compliance certificate, holiday pay calculation remediation and COVID-19 payroll changes assessment. Agreed upon procedures in 2020 were in relation to Waitomo lease compliance for FY19, the interim financial statements and proxy vote scrutineering in the annual meeting.

## Notes to the consolidated financial statements (continued)

### 5. Employee benefits expense

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

	NOTES	2021 \$000's	2020 \$000's
Wages and salaries*		61,973	71,318
Share-based payment costs	34	2,112	375
Other employee benefits		1,805	2,005
<b>Total employee remuneration</b>		<b>65,890</b>	<b>73,698</b>

\* Wages and salaries include net benefits received and passed on to employees in relation to NZ COVID-19 Wage Subsidy of \$1,588k (June 2020: \$3,979k) and Australian Jobkeeper scheme of \$2,785k (June 2020: \$1,367k)

### 6. Finance income

	2021 \$000's	2020 \$000's
Interest income	41	427
<b>Total finance income</b>	<b>41</b>	<b>427</b>

### 7. Finance expenses

	2021 \$000's	2020 \$000's
Interest on bank borrowings	7,468	9,424
Interest on finance leases	3,420	3,945
<b>Total finance expenses</b>	<b>10,888</b>	<b>13,369</b>

### 8. Income tax

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

Notes to the consolidated financial statements (continued)

8. Income tax (continued)

<b>Current and deferred income tax</b>		
Income tax expenses comprises current tax and deferred tax.		
Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.		
Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.		
Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that 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 are charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is classified within equity.		

	NOTES	2021 \$000's	2020 \$000's
Current tax		(2,050)	9,462
Deferred tax	36	(1,808)	(10,676)
<b>Income tax benefit</b>		<b>(3,858)</b>	<b>(1,214)</b>

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

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

	2021 \$000's	2020 \$000's
Profit before tax	(18,372)	26,142
Tax calculated at domestic rates applicable to profits in the respective countries	(5,342)	8,143
Non-assessable income <sup>(1)</sup>	(961)	(10,037)
Expenses not deductible for tax purposes	2,762	1,827
Adjustment for US tax losses carried back <sup>(2)</sup>	(317)	(1,147)
<b>Income tax benefit</b>	<b>(3,858)</b>	<b>(1,214)</b>

(1) As explained in note 18 during the year ended 30 June 2020, the Group made a loss of \$8.4M in relation to the disposal of its investment in Togo Group. This consisted of a taxable loss of \$38.1M in relation to the USA tax jurisdiction; offset by non-taxable Group consolidation gain of \$29.7M.

(2) The adjustments for US tax losses carried back include a tax benefit in relation to an allowance under the tax code to carry back tax losses to previous tax years. The tax years that the losses were applied to had a higher tax rate than the losses were previously valued at (refer to note 36).

As a result, the weighted average effective tax rate was 21% (2020: -5%).

Notes to the consolidated financial statements (continued)

9. Earnings per share

	2021	2020
(Loss)/profit attributable to the equity holders of the Parent (\$000's)	(13,675)	27,356
Weighted average number of ordinary shares on issue (000's)*	148,893	146,753
Basic (loss)/earnings per share (in cents)	(9.2)	18.6

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the employee share scheme (refer to note 34).

	2021	2020
Weighted average number of ordinary shares on issue (000's)*	148,893	146,753
Dilutive redeemable shares and options if exercised (000's)	565	199
<b>Total shares (000's)</b>	<b>149,458</b>	<b>146,952</b>
Diluted (loss)/earnings per share (in cents)	(9.1)	18.6

\* An additional 14,667,436 shares from the pro rata 1 for 9 rights offer (the Rights Offer) were issued in July 2019 (refer to note 22). The issue price of \$3.40 per share under the Rights Offer represented a 9.6% discount to the theoretical ex rights price on the record date. As a result, 1,404,329 shares issued as part of the Rights Offer were treated as a bonus issue which have been adjusted in the weighted average number of ordinary shares on issue in 2019 in accordance with NZ IAS 33 Earnings per Share

10. Dividends

During the year ended 30 June 2021 the Group paid no interim and final dividends. Refer to note 25 in relation to the shareholder distribution requirements as part of the amended banking facility agreement. The 2020 interim dividend was cancelled and there was no 2020 final dividend.

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

11. Imputation credits

	2021 \$000's	2020 \$000's
The amount of imputation credits available for use in subsequent reporting periods	4,914	4,491

The above amounts represent the balance of the imputation credit account as at the year end 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.



Notes to the consolidated financial statements (continued)

Section B – Assets used to generate profit

In this section

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

- Property, plant and equipment**  
The most significant component is the motorhome fleet. Premises, in general, are leased, however significant buildings are the Waitomo Caves Visitor Centre and the Waitomo Caves Homestead.
- Leased assets**  
The most significant leased assets relate to the premises in New Zealand, Australia and the United States.
- Inventory**  
The most significant inventory items are the ex-rental motorhome fleet assets that are held for sale. Other inventory items include spare parts, living equipment used inside rental motorhomes, and retail stock.
- Intangible assets**  
Intangible assets include:
  - Goodwill arising from the purchase of the Road Bear RV, El Monte RV businesses and Kiwi Experience;
  - The cost of the Waitomo Caves leases;
  - Software;
  - Brands; and
  - Trademarks, leases and licenses.

12. Property, plant and equipment

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

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

Land and buildings are shown at historical cost, less subsequent accumulated depreciation for buildings. Land is not depreciated. All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

The Group estimates the residual values of the fleet in order to depreciate motorhome assets using the straight-line method. This estimate of the useful life and the residual value of the vehicle is based on when it is expected to be taken out of the rental fleet. The residual value is influenced by its condition, the mileage on the motorhome and the consumer demand within the relevant resale market. The Group also considers the market conditions and the impact any changes could have on the estimates as part of the overall fleet management program. The Group completes an annual review of the appropriateness of the residual values and useful lives that have been used by reviewing the gains/losses made on recent sales, and forecasts, of similar motorhomes. The estimated useful lives of motorhomes on the rental fleet are 1 - 6 years. The annual depreciation rates as a percentage of the original costs of between 5% and 15% for the life of the motorhomes. If the depreciation rate increases/(decreases) by 1% for the life of motorhomes, the depreciation expense will increase/(decrease) by approximately \$4.0M for the year.

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

Buildings	8 - 50 years
Leasehold improvements	term of the lease
Vehicles (non-fleet)	3 - 14 years
Other plant & equipment	2 - 40 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 17).

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

	MOTORHOMES \$000'S	MOTOR VEHICLES \$000'S	LAND AND BUILDINGS \$000'S	OTHER PLANT AND EQUIPMENT \$000'S	CAPITAL WORK IN PROGRESS \$000'S	TOTAL \$000'S
<b>Year ended 30 June 2021</b>						
At 1 July 2020	376,848	771	13,946	5,722	16,000	413,287
Additions and transfers from work in progress (net)	100,905	539	868	3,368	(1,455)	104,225
Disposals	(157,842)	(199)	(560)	(197)	-	(158,798)
Exchange differences	(10,204)	(18)	(182)	(43)	74	(10,373)
Depreciation charge	(35,655)	(228)	(1,679)	(1,747)	-	(39,309)
Closing net book amount	274,052	865	12,393	7,103	14,619	309,032
<b>As at 30 June 2021</b>						
Cost	359,998	2,500	28,858	31,636	14,619	437,611
Accumulated depreciation	(85,946)	(1,635)	(16,465)	(24,533)	-	(128,579)
Net book amount	274,052	865	12,393	7,103	14,619	309,032
<b>Less reclassification of motorhomes to inventory at balance date</b>						
Cost	55,598	-	-	-	-	55,598
Accumulated depreciation	(19,638)	-	-	-	-	(19,638)
Net book amount reclassified	35,960	-	-	-	-	35,960
<b>Closing net book amount post reclassification</b>	238,092	865	12,393	7,103	14,619	273,072

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

	MOTORHOMES \$000'S	MOTOR VEHICLES \$000'S	LAND AND BUILDINGS \$000'S	OTHER PLANT AND EQUIPMENT \$000'S	CAPITAL WORK IN PROGRESS \$000'S	TOTAL \$000'S
<b>Year ended 30 June 2020</b>						
At 1 July 2019	401,396	698	14,154	6,413	26,717	449,378
Additions and transfers from work in progress (net)	119,981	294	1,403	1,708	(10,818)	112,568
Disposals	(101,625)	(39)	–	(465)	–	(102,129)
Exchange differences	7,173	15	84	263	101	7,636
Depreciation charge	(50,077)	(197)	(1,695)	(2,197)	–	(54,166)
Closing net book amount	376,848	771	13,946	5,722	16,000	413,287
<b>As at 30 June 2020</b>						
Cost	494,617	2,052	29,156	21,292	16,000	563,117
Accumulated depreciation	(117,769)	(1,281)	(15,210)	(15,570)	–	(149,830)
Net book amount	376,848	771	13,946	5,722	16,000	413,287
<b>Less reclassification of motorhomes to inventory at balance date</b>						
Cost	68,038	–	–	–	–	68,038
Accumulated depreciation	(14,468)	–	–	–	–	(14,468)
Net book amount reclassified	53,570	–	–	–	–	53,570
<b>Closing net book amount post reclassification</b>	<b>323,278</b>	<b>771</b>	<b>13,946</b>	<b>5,722</b>	<b>16,000</b>	<b>359,717</b>

13. Leases

The Group's leasing activities

The Group predominantly leases its premises in New Zealand, Australia and the United States under operating lease agreements. Lease agreements may contain both lease and non-lease components. The Group allocates the consideration in the agreement to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms, escalation clauses and renewal rights. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease liabilities have been measured at the present value of the lease payments, discounted using a discount rate derived from the incremental borrowing rate for each relevant overseas territory when the interest rate implicit in the lease was not readily available. Incremental borrowing rates applied to lease liabilities range between 3.1% - 5.3%. The Group is exposed to potential future increases in variable lease payments based on the change of an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the expected lease term on a straight-line basis.

Notes to the consolidated financial statements (continued)

13. Leases (continued)

Short-term and low-value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less and predominantly relate to computer equipment.

Extension and termination options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group. The extension options are only exercisable by the Group and not by the lessor. Where an extension is reasonably certain of being exercised, that extension period and related costs are recognised on the statement of financial position.

To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease, e.g. term, country, currency and security.

The right-of-use assets have the following additions and modifications:

	30 JUNE 2021 \$000's VEHICLES & EQUIPMENT	30 JUNE 2021 \$000's BUILDINGS
Opening net book value at 1 July 2020	10	69,552
Additions	–	10,133
Modifications	–	684
Terminations	–	(7,033)
Impairment	–	(46)
Exchange differences	–	(2,740)
Depreciation charges	(10)	(8,211)
<b>Closing net book value at 30 June 2021</b>	<b>–</b>	<b>62,339</b>
Cost	20	79,337
Accumulated depreciation	(20)	(16,998)
<b>Closing net book value at 30 June 2021</b>	<b>–</b>	<b>62,339</b>

Consolidated income statement and cash flow

	2021 \$000's	2020 \$000's
Interest paid on leases (operating activities)	3,420	3,945
Payments for lease liability principal (financing activities)	7,732	6,442
<b>Total cash outflows from lease liabilities</b>	<b>11,152</b>	<b>10,387</b>

Maturity analysis

Lease liabilities as lessee	2021 \$000's	2020 \$000's
Between 0 to 1 year	8,787	7,304
Between 1 to 2 years	7,645	6,563
Between 2 to 5 years	16,490	17,338
More than 5 years	40,344	50,666
<b>Total lease liabilities as lessee</b>	<b>73,266</b>	<b>81,871</b>



Notes to the consolidated financial statements (continued)

14. Capital commitments

Capital commitments relate to the build of the Group's fleet for the following year.

Purchase orders placed for capital expenditure at balance date but not yet incurred is as follows:

	2021 \$000's	2020 \$000's
Property, plant and equipment	131,108	27,160

15. Operating leases

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

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

	2021 \$000's	2020 \$000's
Within one year	119	89
	119	89

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 13 for further information.

16. Inventories

Inventories are made up of the following categories:

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

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

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

Notes to the consolidated financial statements (continued)

16. Inventories (continued)

	2021 \$000's	2020 \$000's
Raw materials	14,308	4,550
Motorhomes held for sale	38,511	59,164
Finished goods	5,112	5,018
Provision for obsolescence	(476)	(245)
	57,455	68,487

17. Intangible assets

Intangible assets of the Group comprise:

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

Brands

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

Goodwill

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

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks, leases and licences

Trademarks, leases and licences are shown at historical cost of acquisition by the Group less amortisation. Amortisation of trademarks, leases and licences are calculated using the straight-line method over the life of the underlying assets.

Other intangibles

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

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

Computer software development and application costs are recognised as assets and are amortised over their estimated useful lives (three to five years) only if such costs create an intangible asset that the Group controls and the intangible asset meets the recognition criteria. Costs that are not capitalised as intangible assets are expensed as incurred unless they are paid to the suppliers of the cloud-based software to significantly customise the cloud-based software for the Group. In this case, the costs paid upfront are recorded as repayment for services and amortise over the expected terms of the cloud computing agreement.

Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

	BRAND VALUE ACQUIRED \$000'S	GOODWILL \$000'S	TRADEMARKS, LEASES AND LICENSES \$000'S	OTHER INTANGIBLES \$000'S	TOTAL \$000'S
<b>Year ended 30 June 2021</b>					
At 1 July 2020	876	33,276	15,363	752	50,267
Exchange differences	(71)	(2,774)	(860)	(122)	(3,827)
Additions	–	694	51	5,120	5,865
Disposal	–	–	–	(17)	(17)
Amortisation charge	–	–	(695)	(472)	(1,167)
<b>Closing net book amount</b>	<b>805</b>	<b>31,196</b>	<b>13,859</b>	<b>5,261</b>	<b>51,121</b>
<b>As at 30 June 2021</b>					
Cost	805	77,494	30,634	19,401	128,334
Accumulated amortisation and impairment	–	(46,298)	(16,775)	(14,140)	(77,213)
<b>Net book amount</b>	<b>805</b>	<b>31,196</b>	<b>13,859</b>	<b>5,261</b>	<b>51,121</b>
<b>Year ended 30 June 2020</b>					
At 1 July 2019	841	34,890	7,436	1,013	44,180
Exchange differences	35	1,323	(608)	6	756
Additions	–	189	9,177	259	9,625
Impairment	–	(3,126)	–	–	(3,126)
Disposal	–	–	–	(8)	(8)
Amortisation charge	–	–	(642)	(518)	(1,160)
<b>Closing net book amount</b>	<b>876</b>	<b>33,276</b>	<b>15,363</b>	<b>752</b>	<b>50,267</b>
<b>As at 30 June 2020</b>					
Cost	876	82,700	31,443	14,419	129,438
Accumulated amortisation and impairment	–	(49,424)	(16,080)	(13,667)	(79,171)
<b>Net book amount</b>	<b>876</b>	<b>33,276</b>	<b>15,363</b>	<b>752</b>	<b>50,267</b>

As a result of the international border closures in response to COVID-19, the Kiwi Experience CGU is currently in a hibernation phase (currently not operating) and as a result, all of its associated goodwill of \$3.1M was impaired at 30 June 2020. The impairment was recognised in operating expense within the consolidated income statement.

Impairment of non-financial assets

The Group tests whether goodwill and brands have suffered any impairment on an annual basis, in accordance with the accounting policy stated below. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs of disposal. The Group has estimated the recoverable amount of its CGUs on a value-in-use basis and determined that there is no impairment.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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).

Notes to the consolidated financial statements (continued)

17. Intangible assets (continued)

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

	RENTALS \$000's	OTHER \$000's	TOTAL \$000's
<b>2021</b>			
New Zealand – goodwill	–	829	829
United States of America – goodwill	30,367	–	30,367
United States of America – brands	805	–	805
	<b>31,172</b>	<b>829</b>	<b>32,001</b>
<b>2020</b>			
New Zealand – goodwill	–	189	189
United States of America – goodwill	33,087	–	33,087
United States of America – brands	876	–	876
	<b>33,963</b>	<b>189</b>	<b>34,152</b>

The Directors have assessed at balance date whether any impairment indicators exist. In making this assessment, the Directors have taken into consideration the impact of COVID-19 on the business.

The recoverable amount of a cash-generating unit is determined on value-in-use calculations. These calculations use cash flow projections based on management prepared forecasts covering a four year period plus a terminal value calculation. These annual free cash flows are then discounted by a country specific post-tax discount rate to arrive at a recoverable amount (or enterprise value) of the CGU which is compared to the carrying book value. The Group has engaged an external party to undertake the discount rate calculation during the year based on the current market inputs. The Group has adopted these rates in the value-in-use calculations. In addition, carrying values are also assessed using alternative valuation metrics, in particular EBIT multiples for similar industry groupings.

The CGU value in use models used by *thi* to generate the cash flow projections incorporate the expected growth rates from markets the businesses operate in. 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).

The following table shows the sensitivity analysis for the value-in-use calculations of the Group's significant CGUs:

CGU	KEY ASSUMPTIONS	CHANGE IN KEY ASSUMPTION	REDUCTION IN RECOVERABLE AMOUNT (\$M'S)	INCREASE IN RECOVERABLE AMOUNT (\$M'S)	WOULD THE INDICATED SENSITIVITY RESULT IN IMPAIRMENT
United States of America	Discount rate: 8.3%	Discount rate (+/- 1.0%)	29	39	No
	Terminal growth rate: 1.25%	Terminal growth rate (+/- 0.25%)	7	7	No
	2020 Discount rate: 10.6%	Hire days (+/- 5.0%)	25	25	No
	2020 Terminal growth rate: 1.25%	Vehicle sales (+/- 5.0%)*	24	–	No
New Zealand	Discount rate: 9.16%	Discount rate (+/- 1.0%)	32	41	No
	Terminal growth rate: 1.0%	Terminal growth rate (+/- 0.25%)	7	8	No
	2020 Discount rate: 9.8%	Hire days (+/- 5.0%)	11	5	No
	2020 Terminal growth rate: 1.0%	Vehicle sales (+/- 5.0%)*	2	–	No
Australia	Discount rate: 8.15%	Discount rate (+/- 1.0%)	23	31	No
	Terminal growth rate: 1.5%	Terminal growth rate (+/- 0.25%)	6	6	No
	2020 Discount rate: 8.0%	Hire days (+/- 5.0%)	22	21	No
	2020 Terminal growth rate: 1.5%	Vehicle sales (+/- 5.0%)*	6	–	No

\* A sensitivity of increasing vehicle sales cannot be assessed in isolation because it would have a flow on impact to fleet levels and rental revenue. Therefore no positive sensitivity has been shown in that regard.

We note that while the sensitivity of key assumptions provided in the above table would not on their own result in an impairment in each case, it is possible that they could occur in combination. Should a deterioration in macroeconomic conditions or a further delay in international tourism recovery occur then this may adversely impact a combination of the key assumptions and result in an impairment. We note that there is currently less headroom in the Rentals USA CGU than in either New Zealand or Rentals Australia. If the Group applied a wider sensitivity assumptions such as an increase of discount rates by 1.5%, decrease of hire days and vehicle sales of 10%, individually, these could result in an impairment in the Rental USA CGU.



Notes to the consolidated financial statements (continued)

Section C – Investments

In this section

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

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

**thl**'s investments include:

- A 50% interest in AMLP up until 28 February 2021. In February 2021, **thl** purchased the remaining 50% interest in AMLP;
- **thl** previously had 50% joint venture investment in Togo Group which was disposed of in March 2020 and;
- Other investment is a 49% interest in Just go, a motorhome rental operation in the United Kingdom.

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the acquiree.

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 acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Notes to the consolidated financial statements (continued)

18. Togo exit transaction

Togo Group

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

On 2 April 2020, the Group entered into an agreement with Thor (the "2020 Agreement") to undertake a managed exit from Togo Group in favour of a digital strategy focusing on New Zealand and Australia and more closely aligned with **thl**'s core RV rentals business. The 2020 Agreement had an effective date of 23 March 2020.

As part of the 2020 Agreement, the rights to Togo Fleet (**thl**'s fleet management and booking system), the New Zealand and Australian operations of Mighway, Togo Insights, and Togo's shareholding in Outdoria were distributed to **thl**, including a cash consideration of USD6M. In exchange, **thl** reduced its shareholding in Togo Group from 50% of the ordinary shares to 20.18% of class B preference shares. As a result, the Group no longer met the requirements to account for its investment in Togo Group as a joint venture. Accordingly, **thl** has equity accounted its interests in Togo Group up to the date of the loss of significant influence on 23 March 2020 and recognised the disposal of the interest at that date, and the remaining interest has been recognised as a financial asset recognised at fair value through the income statement. There were no significant changes that occurred between 23 March 2020 and 2 April 2020.

The following table summarise the equity accounted investment in Togo up to the date of disposal:

	PERIOD TO 23 MARCH 2020 \$000'S
Investment in Togo Group as at 1 July 2019	42,309
Subsequent investment in Togo Group	–
Share of losses recognised against the investment balance during the period	(10,578)
Foreign exchange revaluation gain during the period	3,381
Investment in Togo Group, ending balance	35,112
Advance opening balance	457
Net cash advances/(repayment) during the period	12,858
Advance closing balance	13,315
<b>Net interest in Togo Group at 23 March 2020</b>	<b>48,427</b>

The assets acquired from Togo as part of this exit transaction constitute a "business" under NZ IFRS 3 Business Combinations. Step acquisition accounting is applied because these businesses were 100% owned by Togo and in which the Group only had joint control prior to the exit transaction.

The table below summarises the fair value of the assets and liabilities received by the Group in exchange for disposing of its investment in Togo Group:

	PERIOD TO 23 MARCH 2020 \$000'S
Net interest in Togo Group at date of disposal	48,427
Consideration received in exchange for the disposal	
Cash receivable (net of working capital settlement)	9,053
Intellectual property rights	9,177
Class B preference shares in Togo Group	22,911
Property, plant and equipment	249
Trade payable and employee benefits	(1,346)
Total	40,044
Loss on disposal recognised in the income statement	8,383
Foreign currency translation gain recognised in the income statement	(9,066)
<b>Net gain on the Togo exit transaction</b>	<b>(683)</b>

Notes to the consolidated financial statements (continued)

18. Togo exit transaction (continued)

The fair value of these assets and liabilities are determined as follows:

- Cash receivable (net of working capital settlement) – **thl** received the payment of USD6M, offset by working capital settlement, from Thor in August 2020.
- Intellectual property rights – The intellectual property rights were valued by reference to the expected cost of replacement of the assets, determined using approximately the net book value of Togo Fleet and Mighway. The intellectual property rights are assumed to have a useful life of 15 years and will be amortised on a straight line basis.
- Class B preference shares in Togo Group – The Class B preference shares have a face value of USD20.2M and entitle **thl** to a 3% annual cash dividend for a four year period. Thor has a call option relative to the Class B preference shares which is exercisable over a four year period, after which time, if the option has not been exercised, the Class B shareholding will convert to 26.49% of the ordinary shares in Togo Group. The fair value of the Class B preference shares was determined by an independent valuer utilising the reference to the face value of the preference shares, and deducting the value of the call option determined using the Black-Scholes option pricing model. The Group made certain assumptions, including, but not limited to, expected volatility and dividend yield (refer to note 31). The Class B preference shares are a financial asset and are measured at fair value through the income statement.
- Property, plant and equipment – The net book value of \$249k was recognised as fair value.
- Trade payable and other employee benefits – The carrying value of (\$1,346k) was recognised as fair value.

19. Acquisition of Action Manufacturing LP (AMLP)

On 25 February 2021, **thl** signed an agreement (the “Agreement”) to purchase the remaining 50% shareholding in Action Manufacturing Group GP (AMLP) from its joint venture partner, Alpine Bird Manufacturing Limited (owned by Grant Brady). The Agreement had an effective date of 28 February 2021.

AMLP is the primary supplier of **thl**’s motorhome fleet and manufactures specialist light commercial vehicles for a number of public and private organisations in New Zealand and Australia and is a fundamental part of **thl**’s “Build - Rent - Sell” business model. AMLP has operated as a joint venture partnership between **thl** and Alpine Bird Manufacturing since 2012, up until February 2021. Prior to the acquisition, **thl**’s 50% interest in the AMLP joint venture was accounted for under the equity method of accounting in accordance with NZ IAS 28 Investments in Associates and Joint Ventures. After 28 February 2021, AMLP is a 100% owned subsidiary of **thl** and is consolidated in **thl**’s group financial statements under NZ IFRS 10 Consolidated Financial Statements.

The following table summarises the equity accounted investment in AMLP up to the date of acquisition:

	28 FEBRUARY 2021 \$000’S	30 JUNE 2020 \$000’S
Investment in AMLP, beginning balance	10,224	8,797
Share of profits recognised against the investment balance during the period	18	1,427
<b>Investment in AMLP at date of acquisition</b>	<b>10,242</b>	<b>10,224</b>

Notes to the consolidated financial statements (continued)

19. Acquisition of Action Manufacturing LP (AMLP) (continued)

The assets acquired from AMLP constitute a “business” under NZ IFRS 3 Business Combinations. Step acquisition accounting is applied because of the joint control that **thl** had prior to the acquisition. In accordance with NZ IFRS 3, share consideration should be measured at fair value on the date of acquisition.

The parties agreed to the purchase price of \$9M, which was to be paid by **thl** issuing ordinary shares to the value of \$7.5M to Alpine Bird Manufacturing, and \$1.5M to be paid in cash. The total number of ordinary shares were 3,260,870, determined at \$2.3 per share, equivalent to the weighted average price for **thl** shares for the 30 trading day period prior to the agreement date. The fair value of the share on acquisition date of \$2.25 was based on the closing share price on the last working date prior to the effective date of the Agreement.

These shares are “Restricted Shares” in accordance with the Agreement because there are restrictions over the number of shares that can be sold within a 24 month period from completion of the transaction.

Based on this, the table below summarises the fair value of the consideration paid for the remaining 50% shareholding:

	28 FEBRUARY 2021 \$000’S
Issued capital of Tourism Holdings Limited	7,337
Cash consideration	1,500
Total consideration transferred for the remaining 50% equity interest in AMLP	8,837

NZ IFRS 3 also requires the acquirer to re-measure its previously held equity interest in the acquiree at its acquisition date fair value. AMLP is not publicly traded so the fair value for previously held equity interest was derived by reference to the consideration transferred for the remaining 50%, which is \$8.837M. As a result, a fair value adjustment loss of \$1.406M has been recognised in the profit and loss in relation to the previously held 50% equity interest.

	28 FEBRUARY 2021 \$000’S
Investment in AMLP at date of acquisition	10,243
Fair value of previously held 50% equity interest	(8,837)
Loss from fair value of previously held 50% equity interest	1,406

The total consideration of \$17.674M (being the implied fair value for 100% of AMLP) resulted in a gain on acquisition of \$29k to be recognised in the profit and loss.



Notes to the consolidated financial statements (continued)

19. Acquisition of Action Manufacturing LP (AMLP) (continued)

The table below summarises the fair value of the assets and liabilities acquired at 28 February 2021:

	28 FEBRUARY 2021 \$'000'S
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	6,131
Trade and other receivables*	4,409
Prepayments	75
Inventories	11,065
Property, plant and equipment	6,738
Other assets	76
<b>Total assets</b>	<b>28,494</b>
Trade and other payables	(3,474)
Warranty provisions	(432)
Revenue received in advance	(1,652)
Employee benefits	(857)
Borrowing	(748)
Lease liabilities	(3,628)
<b>Total liabilities</b>	<b>(10,791)</b>
<b>Net identifiable assets acquired</b>	<b>17,703</b>
Gain on AMLP acquisition	(29)
<b>Net assets acquired</b>	<b>17,674</b>

\*The fair value of acquired receivable is \$4,409k. There is no loss allowance recognised on acquisition

For comparative reporting purposes, the following table provides summary information of 100% AMLP:

	28 FEBRUARY 2021 \$'000'S	30 JUNE 2020 \$'000'S
Revenue	27,290	64,147
Expenses	(27,254)	(61,293)
<b>Profit before income tax</b>	<b>36</b>	<b>2,854</b>
<b>Assets</b>		
Non-current assets	9,624	10,599
Cash and cash equivalents	6,131	6,309
Current assets	15,549	29,718
	31,304	46,626
<b>Liabilities</b>		
Non-current liabilities including partner advances	(3,844)	(4,478)
Current liabilities	(6,976)	(21,700)
	(10,820)	(26,178)
<b>Net assets</b>	<b>20,484</b>	<b>20,448</b>
<b>The Group's 50% share of AMLP net assets</b>	<b>10,242</b>	<b>10,224</b>

Notes to the consolidated financial statements (continued)

20. Investments in associate

<b>Associates</b>
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.

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

	2021 \$'000'S	2020 \$'000'S
Just go	759	(376)
Outdoria (up to 31 July 2020)	(41)	–
<b>Total</b>	<b>718</b>	<b>(376)</b>

Just go

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

	2021 \$'000'S	2020 \$'000'S
Just go	4,936	4,044
<b>Total</b>	<b>4,936</b>	<b>4,044</b>

Outdoria

**thl** initially acquired 46% shareholding in Outdoria Pty Limited (Outdoria) as part of the Togo Group exit arrangement in March 2020. **thl** has established significant influence over Outdoria and has therefore accounted for its investment in Outdoria using the equity method.

On 31 July 2020, Outdoria bought back 18.2% of the shares which resulted in an increase in **thl**'s shareholding to 59.73%, making **thl** a majority shareholder with majority Board control. On this basis, **thl** has obtained control over Outdoria and has since this date consolidated it in the Group but with a corresponding non-controlling interest for the remaining 40.27%.

The transaction was accounted for as a step acquisition under NZ IFRS 3 Business Combinations, and based on the Group's assessment of the fair value of Outdoria's net identifiable assets and liabilities and fair value of consideration, **thl** recognised a (\$2.0M) non-controlling interest (NCI) on an acquisition-by-acquisition basis at the NCI's proportionate share of Outdoria's net identifiable liabilities and \$659k goodwill at the Group level.

Notes to the consolidated financial statements (continued)

21. Subsidiaries

The principal activities of the Parent company and trading subsidiaries are motorhome rental (Tourism Holdings Australia Pty Limited, JJ Motorcars Inc and El Monte Rents Inc) and attractions (Waitomo Caves Limited).

Outdoria is 59.73% owned, all other subsidiaries are 100% and therefore the Group is deemed to have control and have been fully consolidated from the date which control has been attained (30 June 2020: 100%). All subsidiaries have 30 June balance dates. Material subsidiary companies at 30 June 2021 and 2020 are:

NAME	COUNTRY OF INCORPORATION	% EQUITY INTEREST	
		2021	2020
Tourism Holdings Australia Pty Limited	Australia	100	100
Waitomo Caves Limited	New Zealand	100	100
JJ Motorcars Inc	United States of America	100	100
El Monte Rents Inc	United States of America	100	100
Tourism Holdings USA Inc	United States of America	100	100
TH2connect GP Limited (from 23 March 2020)	New Zealand	100	100
Action Manufacturing Group GP (from 28 February 2021)	New Zealand	100	100
Outdoria Pty Limited (from 31 July 2020)	Australia	60	–

Notes to the consolidated financial statements (continued)

Section D – Managing funding

In this section

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

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

22. Share capital

	2021 SHARES 000'S	2020 SHARES 000'S	2021 \$000'S	2020 \$000'S
<b>Ordinary shares</b>				
Opening balance	148,015	132,036	269,988	217,012
Issue of ordinary shares – redeemable ordinary shares converted	150	377	273	658
Transfer from employee share scheme reserve for redeemable shares converted	–	–	31	72
Issue of ordinary shares – in lieu of Directors' fees	63	80	142	160
Ordinary shares to be issued – in lieu of Directors' fees accrued at 30 June	–	–	21	(24)
Ordinary shares Issued under Dividend Reinvestment Plan	–	855	–	3,484
Ordinary shares issued as part consideration for AMLP	3,261	–	7,337	–
Ordinary shares issued – rights offer	–	14,667	–	49,869
Less transaction cost arising on shares issued	–	–	–	(1,243)
<b>Closing balance</b>	<b>151,489</b>	<b>148,015</b>	<b>277,792</b>	<b>269,988</b>

The total authorised number of ordinary shares is 151,489,050 shares (2020: 148,014,900) and these are classified as equity. The shares have no par value. All ordinary shares are issued and fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

There are 985,630 redeemable ordinary shares on issue that are convertible on a 1:1 basis to ordinary shares (2020: 1,478,830). If these convert to ordinary shares per the terms outlined in note 34, total shares on issue will be 152,474,680 (2020: 149,493,730).

In the current year redeemable ordinary shares were cancelled in November 2020 (193,200) and April 2021 (150,000). There were 150,000 redeemable ordinary shares that were converted to ordinary shares in March 2021. In the prior year redeemable ordinary shares were converted to ordinary shares in August 2019 (176,666) and November 2019 (200,000). There were no cancellation of redeemable ordinary shares in FY2020.

In the current year 851,667 share options were cancelled in July 2020. There were no cancellation of share options in the prior year.

Ordinary shares were issued to directors in lieu of Directors' fees per the terms outlined in note 33. Shares were issued in October 2020 (26,027) and April 2021 (37,253). In the prior year shares were issued to Directors in lieu of Directors fees in October 2019 (20,188) and April 2020 (59,645). At 30 June 2021 share capital includes \$42,000 accrual for shares to be issued in lieu of Directors' fees (2020: \$21,000).

In the prior year 855,082 ordinary shares were issued in October 2019 at an issue price of \$4.069 per share to shareholders who elected to participate in the Dividend Reinvestment Plan.

In June 2019, the Group announced a placement and pro rata rights offer capital raise. As part of this, approximately \$50M fully underwritten pro-rate 1 for 9 rights offer at \$3.40 per share settled in July 2019 resulting in the issuance of an additional 14,667,436 shares with an incremental directly attributable issue costs of \$1.243M in 2020.



Notes to the consolidated financial statements (continued)

23. Retained earnings

	2021 \$000's	2020 \$000's
Balance at beginning of the year	55,815	56,176
(Loss)/profit for the year	(13,675)	27,356
Adjustment on adoption of NZ IFRS 16 (net of tax)	–	(7,150)
Dividends on ordinary shares	–	(20,567)
Transfer from employee share scheme reserve	173	–
<b>Balance at end of the year</b>	<b>42,313</b>	<b>55,815</b>

24. Other reserves

Foreign currency translation reserve

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

The closing exchange rates used to translate the statement of financial position are as follows:

	2021	2020
NZD/AUD	0.9310	0.9340
NZD/USD	0.6998	0.6426
NZD/GBP	0.5050	0.5220

Employee share scheme

The employee share scheme reserve is used to recognise the accumulated value of redeemable shares granted which have been recognised in the income statement. In accordance with the Group's accounting policy, amounts accumulated in the executive share scheme reserve have been transferred to share capital on the exercise of the options or to retained earnings when they have been forfeited (refer to note 34).

	2021 \$000's	2020 \$000's
<b>Foreign currency translation reserve</b>		
Balance at beginning of the year	4,925	7,549
Currency translation differences (net of tax)	(8,929)	6,442
Foreign currency gain transferred to income statement in relation to Togo transaction	–	(9,066)
Balance at year end	(4,004)	4,925
<b>Employee share scheme reserve</b>		
Balance at beginning of the year	1,066	763
Value of employee services charged to the income statement	2,112	375
Transfer to retained earnings	(173)	–
Transfer to share capital	(31)	(72)
Balance at year end	2,974	1,066
<b>Total other reserves</b>	<b>(1,030)</b>	<b>5,991</b>

Notes to the consolidated financial statements (continued)

25. 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 date.

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

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

	2021 \$000's	2020 \$000's
<b>Non-current</b>		
Bank borrowings	84,460	163,322
Other borrowings	2,199	–
	86,659	163,322
<b>Current</b>		
Other borrowings	125	–
<b>Total borrowings</b>	<b>86,784</b>	<b>163,322</b>

	2021 \$000's	2020 \$000's
<b>Maturity of non-current portion</b>		
One to two years	2,199	87,846
Two to three years	84,460	75,476
Three to five years	–	–
	86,659	163,322

Interest rates (excluding line fees) applicable at 30 June 2021 on the bank term loans ranged from 1.80% to 3.15% p.a. (2020: 1.0% to 4.8% p.a.).

The guaranteeing group consisting of Tourism Holdings Limited and all New Zealand, Australian and USA 100% owned subsidiaries had, at balance date, multi-currency revolving cash advance facilities with Westpac Banking Corporation, Westpac New Zealand Limited, ANZ Bank New Zealand Limited and Australia and New Zealand Banking Group Limited. The Group has provided a composite first ranking debenture over the assets and undertakings of the Group in New Zealand, Australia and the US.

The facility agreement was amended in June and August 2021. The amended agreement includes committed facilities for debt funding of approximately \$250M (\$200M available from the effective date of the agreement and an additional \$50M from December 2021). The facility consists of a number of tranches maturing between June 2023 and June 2024.

The amended agreement also includes:

- a requirement for consent from the Group's banking partners for any distribution to shareholders during the term of the facilities;
- the Group's leverage ratio and interest coverage ratio will not be used as a primary covenant test until 30 September 2022, however other existing covenants (equity ratio and guaranteeing group ratio) remain applicable; and
- new covenants relating to minimum shareholder funds, and a cumulative EBITDA requirement (tested quarterly) from the period ending 30 September 2021 have been added. If the EBITDA target is not achieved, a leverage ratio covenant applies.

Notes to the consolidated financial statements (continued)

25. Borrowings (continued)

The Group has assessed forecast compliance with these covenants by preparing a cash flow scenario forecast for the Group for the next four years and using the forecast to calculate the financial covenants at future calculation dates.

As at the sign-off date of these financial statements the Group is within the banking covenant requirements.

All markets that the Group operates in have experienced changes in external trading conditions in quarter one of FY22 as a result of the ongoing impacts of COVID-19. Given the ongoing volatility of the current environment, there is a risk that actual trading performance may fall below forecasts, noting that the US market has experienced a reduction in rental demand over the calendar 2021 summer season relative to the last calendar year, which is lower than expected, and Australia and New Zealand have also been affected by the ongoing impact of COVID-19. However, the Group has the option to control its fleet size as necessary in order to achieve results that comply with the banking facility requirements. On this basis, the Board expects that the Group will be able to meet its undertakings and covenants in relation to the banking facility and will have sufficient cash to discharge its liabilities as they fall due, for at least one year from the date the financial statements are approved.

Having regard to all of the above, the Board's assessment acknowledges that there are uncertainties that may require the Board to make changes to the business to respond to the uncertainties but the primary levers available is to adjust fleet levels through increased fleet sales, reduced fleet capital expenditures or changing the timing of fleet purchases. This is similar to the approach that has been adopted in the year ended 30 June 2021. Accordingly, the Board's assessment is that there is no material uncertainty and it has been concluded that the going concern assumption is appropriate. Therefore these financial statements have been prepared on the basis of a going concern.

In accordance with NZ IFRS 9 Financial Instruments, the amendment was treated as an extinguishment of the existing liability followed by the recognition of a new liability.

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

	2021 \$000's	2020 \$000's
New Zealand dollar	8,122	37,218
Australian dollar	3,759	5,889
United States American dollar	71,449	116,873
Pounds sterling	3,454	3,342
	86,784	163,322

The Group has the following undrawn borrowing facilities:

	2021 \$000's	2020 \$000's
<b>Floating rate</b>		
– Expiring beyond one year	116,298	49,858

The Group capitalised \$558k of borrowing costs (2020: nil) for establishment fees in relation to the refinancing.

26. Other commitments

As at 30 June 2021, the Group no longer has the \$30M Documentary Letter of Credit Facility as part of the interchangeable working capital facility. The amount drawn at 30 June 2020 was \$14,429k.

Notes to the consolidated financial statements (continued)

27. Trade and other receivables

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

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

	2021 \$000's	2020 \$000's
Trade receivables	17,324	14,083
Less provision for impairment of receivables	(1,203)	(2,106)
Trade receivables – net	16,121	11,977
Prepayments	3,788	4,439
Other receivables	3,758	12,483
Receivable under buy-back arrangement	5,014	31
<b>Total trade and other receivables</b>	<b>28,681</b>	<b>28,930</b>

At June 2021 trade and other receivables includes \$5,014k (June 2020: \$31k) relating to vehicles purchased under a short term buy-back arrangement. This agreement involves purchasing vehicles to be used in the fleet for a period less than 12 months and then sold back to the supplier. On initial recognition, **thl** recognised the cash paid for the vehicles, the price expected to be received upon resale, and the balancing amount of the two is considered the lease expense. The transaction is accounted for as a short-term lease on the basis that:

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

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

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 of \$903k (2020: \$1,099k increase) in the provision for the impairment of its trade receivables which has been included in other operating expenses. The Group has written off, to other operating expenses, \$864k (2020: \$154k) of balances of receivables during the year ended 30 June 2021.



Notes to the consolidated financial statements (continued)

28. Trade and other payables

<b>Trade payables</b>		
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.		
Trade payables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.		

	2021 \$000's	2020 \$000's
Trade payables	12,133	20,566
Accrued expenses and other payables	13,130	16,435
Total trade and other payables	25,263	37,001

29. Financial instruments

<b>Classification of financial assets</b>	
The Group classifies its financial assets in the following measurement categories:	
<ul style="list-style-type: none"><li>Those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss); and</li><li>Those to be measured at amortised cost.</li></ul>	
The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.	
The Group reclassifies debt investments when and only when its business model for managing those assets changes.	
<b>Measurement of financial assets</b>	
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.	
<b>Debt instruments</b>	
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:	
<b>Amortised cost:</b> Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.	
<b>FVOCI:</b> Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.	

Notes to the consolidated financial statements (continued)

29. Financial instruments (continued)

<b>FVPL:</b> Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.	
The interest rate swaps in place as at 30 June 2021 and 30 June 2020 qualified as cash flow hedges under NZ IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of NZ IFRS 9 and these relationships are therefore treated as hedges.	

The table below represents the measurement categories of the financial instruments:

	2021				2020			
	FINANCIAL ASSETS AT AMORTISED COST \$000's	FINANCIAL ASSETS VALUE THROUGH PROFIT OR LOSS \$000's	DERIVATIVES USED FOR HEDGING \$000's	TOTAL \$000's	FINANCIAL ASSETS AT AMORTISED COST \$000's	FINANCIAL ASSETS VALUE THROUGH PROFIT OR LOSS \$000's	DERIVATIVES USED FOR HEDGING \$000's	TOTAL \$000's
<b>Assets</b>								
Advance to joint venture	-	-	-	-	655	-	-	655
Total cash and cash equivalents	38,087	-	-	38,087	35,514	-	-	35,514
Retained interest in Togo (note 18)	-	20,835	-	20,835	-	21,382	-	21,382
Total trade and other receivables	24,893	-	-	24,893	24,491	-	-	24,491
Derivative financial instruments	-	-	-	-	-	-	6	6
	2021				2020			
	MEASURED AT AMORTISED COST \$000's	MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS \$000's	DERIVATIVES USED FOR HEDGING \$000's	TOTAL \$000's	MEASURED AT AMORTISED COST \$000's	MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS \$000's	DERIVATIVES USED FOR HEDGING \$000's	TOTAL \$000's
<b>Liabilities</b>								
Interest bearing loans and borrowings	86,784	-	-	86,784	163,322	-	-	163,322
Derivative financial instruments	-	-	5,272	5,272	-	-	9,303	9,303
Trade and other payables	22,495	-	-	22,495	33,646	-	-	33,646

Notes to the consolidated financial statements (continued)

Section E – Managing risk

In this section

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

- a) Outlining **thl**'s approach to financial risk management; and
- b) Analysing financial (hedging) instruments used to manage risk.

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

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

30. Financial risk management

Currency risk

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

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

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

Exchange rate sensitivity

The following table shows the impact of a 5 cent movement up or down in the New Zealand dollar vs the Australian dollar and United States dollar and the impact that this exchange rate change has on reported net profit after tax and equity. The table shows the post-tax impact on reported profit and equity in relation to currency risk, as described above, and does not include the impact of translation risk, as described in note 24. A 5 cent change is considered a reasonable possible change based on prior year movements.

	2021 \$000's	2020 \$000's
<b>Post-tax impact on reported profit and equity of:</b>		
A 5 cent increase in the NZ dollar vs the AU dollar	(2)	–
A 5 cent increase in the NZ dollar vs the US dollar	(6)	(9)
A 5 cent decrease in the NZ dollar vs the AU dollar	2	–
A 5 cent decrease in the NZ dollar vs the US dollar	6	9

Interest rate risk

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

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

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

Notes to the consolidated financial statements (continued)

30. Financial risk management (continued)

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

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

	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
<b>As at 30 June 2021</b>							
<b>Assets</b>							
Cash and cash equivalents	0.0%	38,087	–	–	–	–	38,087
		38,087	–	–	–	–	38,087
<b>Liabilities</b>							
Bank borrowings*	7.9%	–	125	2,199	84,460	–	86,784
		–	125	2,199	84,460	–	86,784
Interest rate derivative contracts**	2.9%	–	17,862	18,364	54,479	4,287	94,992

The effective interest rate of Group borrowings is 7.9% including the impact of the interest rate swaps and line fees on facilities.

	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
<b>As at 30 June 2020</b>							
<b>Assets</b>							
Advance to joint venture	3.6%	655	–	–	–	–	655
Cash and cash equivalents	0.0%	35,514	–	–	–	–	35,514
		36,169	–	–	–	–	36,169
<b>Liabilities</b>							
Bank borrowings*	5.6%	–	163,322	–	–	–	163,322
		–	163,322	–	–	–	163,322
Interest rate derivative contracts**	3.0%	–	20,908	19,452	68,930	12,449	121,739

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

\*\* Notional contract amounts and include forward starting interest rate swaps

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 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:

	2021 \$000's	2020 \$000's
<b>Pre-tax impact of:</b>		
An increase in interest rates of 1%	(177)	(653)
A decrease in interest rates of 1%	177	653



Notes to the consolidated financial statements (continued)

30. Financial risk management (continued)

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% 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 historical movements. There is \$251k of ineffective interest rate swaps recognised in the income statement in relation to the valuation of the interest rate swaps. The remaining interest rate swaps were effective as at 30 June 2021.

	2021 \$000's	2020 \$000's
<b>Post tax impact on equity of a 1% move in interest rates</b>		
An increase in interest rates of 1% across the yield curve	1,613	2,467
A decrease in interest rates of 1% across the yield curve	(1,643)	(2,529)

Credit risk

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

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

	2021 \$000's	2020 \$000's
Bank balances	38,087	35,514
Advance to joint ventures	–	655
Trade receivables (net of impairment provision)	16,121	10,164
Other receivables	3,758	14,296
Receivable under buy-back arrangement	5,014	31
	62,980	60,660

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

	NOTES	2021 \$000's	2020 \$000's
<b>Trade receivable analysis</b>			
Debtors past due		3,419	7,621
Impairment provision		(1,203)	(2,106)
Debtors past due but not impaired		2,216	5,515
Debtors current		13,905	6,462
<b>Total trade debtors</b>	27	16,121	11,977

Notes to the consolidated financial statements (continued)

30. Financial risk management (continued)

	2021 \$000's	2020 \$000's
<b>Ageing of debtors past due</b>		
1-30 days	1,055	1,605
31-60 days	1,214	624
61-90 days	323	1,922
91+ days	827	3,470
<b>Total debtors past due</b>	3,419	7,621

There is no overdue balance in other receivables and receivables under buy-back arrangement as at 30 June 2021 (2020: nil).

Liquidity risk

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

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

The amounts disclosed are the contractual undiscounted cash flows.

	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
<b>Year ended 30 June 2021</b>						
Trade and other payables	22,495	–	–	–	22,495	22,495
Bank borrowings	4,578	6,629	88,213	–	99,420	86,784
Lease liabilities	12,025	10,512	23,169	49,440	95,146	73,266
Interest rate and foreign currency derivative contracts*	2,264	1,699	2,433	79	6,475	5,272
	41,362	18,840	113,815	49,519	223,536	187,817

	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
<b>Year ended 30 June 2020</b>						
Trade and other payables	33,646	–	–	–	33,646	33,646
Bank borrowings	5,765	92,716	77,219	–	175,700	163,322
Lease liabilities	10,970	9,918	25,791	63,465	110,144	81,871
Interest rate and foreign currency derivative contracts*	2,155	1,947	3,777	457	8,336	9,303
	52,536	104,581	106,787	63,922	327,826	288,142

\* 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 consolidated financial statements (continued)

30. 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, and an Equity to Total Assets ratio (net of intangible assets) (note 25). 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 1. New Zealand and Australia's profits are typically generated over the southern hemisphere summer months and the United States of America's profits are typically generated over the northern hemisphere summer months. Due to the seasonal nature of the businesses, the risk profile at year end is not representative of all risks faced during the year.

31. Derivative financial instruments

Derivative financial instruments and hedging activities

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

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

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

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

Cash flow hedges

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

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

Notes to the consolidated financial statements (continued)

31. Derivative financial instruments (continued)

	2021 ASSETS 000'S	2021 LIABILITIES 000'S	2020 ASSETS \$000's	2020 LIABILITIES \$000's
Interest rate swaps – current portion	–	148	–	110
Foreign currency swaps – current portion	–	–	6	–
Cash flow hedges – total current portion	–	148	6	110
Interest rate swaps – non current portion	–	5,124	–	9,193
Cash flow hedges – total non current portion	–	5,124	–	9,193
<b>Total cash flow hedges</b>	–	5,272	6	9,303

The ineffective portion recognised in the profit or loss that arises from cash flow hedges in 2021 amount to \$251k (2020: nil).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2021 were \$87,848k (2020: \$110,958k).

At 30 June 2021, the fixed interest rates vary from 2.13% to 4.74% (2020: 1.07% to 5.0%).

The liquidity table in note 30 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.

Fair values

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

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

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

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

As at 30 June 2021 the Group's assets and liabilities measured at fair values are derivative financial instruments which are classified within Level 2 of the fair value hierarchy (2020: Level 2), and the Class B preference shares in Togo Group (Note 18) are classified within Level 3 of the fair value hierarchy.

The methods used in determining fair value are as follows:

Derivative financial instruments

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



Notes to the consolidated financial statements (continued)

31. Derivative financial instruments (continued)

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.

Class B preference shares in Togo Group

The valuation technique to calculate the fair value of class B preference shares in Togo Group has been disclosed in note 18.

The following unobservable inputs are used for the fair value of class B preference shares in Togo Group:

UNOBSERVABLE INPUTS	SOURCE OF INPUTS	INPUT ADOPTED	REASONABLE POSSIBLE SHIFT +/- (ABSOLUTE VALUE)	CHANGE IN VALUATION +/-
· Face value of class A shares in Togo	– The 2020 Agreement between <b>thl</b> and Thor	USD20.18M	Nil*	Nil*
· Preferred dividend yield	– The 2020 Agreement between <b>thl</b> and Thor	3%	Nil*	Nil*
· Share price return volatility of Togo	– Historical volatility estimates of listed comparator companies	40%	5%	+/- USD0.7M

\* The input value is stated in the 2020 Agreement between **thl** and Thor. The implied value of the Class B Shares is therefore capped at USD20.18M. If the value of the Class B shares shifts down by 20% (Class B shares value reduced to USD\$16.1M), this also correspondingly decreases the value of the call option

32. Cash flow hedge reserve

	2021 \$000'S	2020 \$000's
Balance at beginning of year	(6,695)	(4,483)
Fair value gain/(loss)	4,025	(3,074)
Deferred tax on fair value (loss)/gain	(1,127)	862
Ineffective interest rate swap transferred to income statement (net of tax)	180	–
	(3,617)	(6,695)

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

Notes to the consolidated financial statements (continued)

Section F – Other

In this section

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

33. Related party transactions

Key management compensation

	2021 \$000'S	2020 \$000's
Salaries and other short term employee benefits	3,940	4,461
Share based payments benefits	1,341	375

Total positions included in the key management compensation are 12 (2020: 15).

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

Directors' fees

	2021 \$000'S	2020 \$000's
Directors' fees	660	618

Shares issued in lieu of cash

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

	SHARES 000's		VALUE \$000's	
	2021	2020	2021	2020
Shares issued in lieu of cash	63	80	142	160
Shares to be issued to Directors at 30 June	–	–	42	21

Grant Brady (Director of AMLP)

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

	2021 \$000'S	2020 \$000's
Cost of sublease and operating expenses	545	486

Notes to the consolidated financial statements (continued)

33. Related party transactions (continued)

Action Manufacturing LP

Grant Brady is a shareholder in another entity, Alpine Bird Manufacturing Limited, that owned 50% of Action Manufacturing Limited Partnership (“AMLP”) until 28 February 2021 (note 19). AMLP manufactures the motorhomes and campervans used by Rentals New Zealand, manufactures motorhomes and parts for Rentals Australia, and manufactures specialty vehicles for external customers. Pricing is based on the cost of manufacture plus an agreed margin set out in the Limited Partnership Agreement. During the year, the Group sold certain ex-rental vehicles to AMLP to repurpose and resell. AMLP also subleases part of the Bush Road property described above.

	8 MONTHS TO 28 FEBRUARY 2021 \$000'S	2020 \$000's
Purchase of motorhomes by the Group from the joint venture	12,706	44,171
Sales of vehicles by the Group to the joint venture	534	1,177
Interest charged to the joint venture	37	37
Management of Highway vehicles	10	5

Just go

In the year ended 30 June 2021 the Group did not purchase motorhomes from Just go (June 2020: \$13,096k). As at 30 June 2021, the Group had no commitment to purchase motorhomes from Just go (2020: \$nil).

Schork Family

As part of the consideration for the acquisition of El Monte Rents Inc, the Group issued 3,384,266 ordinary shares to entities associated with the Schork family. An entity associated with the Schork family provides warranties to customers of El Monte Rents Inc - the total amount paid by customers during 2021 was \$443k (June 2020: \$300k). At the time of the acquisition, the Group entered into a number of property lease agreements with entities associated with the Schork family. The leases are in relation to branches used by El Monte RV. The cost of the leases are set out in the table below:

	2021 \$000'S	2020 \$000's
Total lease payments	3,034	3,226

Cathy Quinn

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

	2021 \$000'S	2020 \$000's
Legal services	181	577

Notes to the consolidated financial statements (continued)

34. Share-based payments

Employee benefits

Share scheme

Share scheme 2009-16

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

Amounts accumulated in the employee share scheme reserve are transferred to share capital on redemption of the redeemable shares or to retained earnings where they are forfeited or not exercised after the vesting date. At the end of each reporting period, the Group revises its estimates of the number of redeemable shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the employee share scheme reserve.

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

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



Notes to the consolidated financial statements (continued)

34. Share-based payments (continued)

Movements in the number of redeemable shares outstanding and their related weighted average exercise prices under the 2009 scheme are as follows:

	AVERAGE EXERCISE PRICE*	2016 GRANT	2015 GRANT	2014 GRANT	TOTAL REDEEMABLE SHARES
At 30 June 2019	\$2.29	1,085,630	569,866	200,000	1,855,496
FY2020 transactions					
Redeemable shares exercised	\$1.79	(100,000)	(76,666)	(200,000)	(376,666)
At 30 June 2020		985,630	493,200	–	1,478,830
FY2021 transactions					
Redeemable shares exercised	\$1.84	–	(150,000)	–	(150,000)
Redeemable shares cancelled/forfeited	\$1.63	–	(343,200)	–	(343,200)
At 30 June 2021		985,630	–	–	985,630

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

Convertible shares at 30 June 2021 were 985,630 (2020: 1,478,830).

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

EXPIRY DATE	EXERCISE PRICE*	2021 REDEEMABLE SHARES	2020 REDEEMABLE SHARES
October 2020	\$1.47	–	193,200
March 2021	\$1.84	–	300,000
April 2022	\$2.79	985,630	985,630
Redeemable shares outstanding	\$2.79	985,630	1,478,830
Valuation of redeemable shares		221,767	301,766

The value of the redeemable shares calculated using the Binomial Option Pricing Model is being amortised over the life of the redeemable share rights. No expense in 2021 (2020: \$15k) will accumulate in the employee share scheme reserve.

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

	2016	2015
Issue price	\$2.57	\$1.41 & \$1.78
Forecast dividend yield over the life of the transfer rights	6.1%	8.9%
Risk free rate of interest over the exercise period of the share transfer rights	3.40%	3.30%
Volatility of Tourism Holdings Limited share price returns mid point	23.0%	26.0%
Cost of equity adjustment p.a.	12.30%	11.50%

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

Notes to the consolidated financial statements (continued)

34. Share-based payments (continued)

**Share scheme 2017**

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

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

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

1. Options to purchase ordinary shares are issued to executives by the Board.

2. The option price is set based on the volume weighted average price of Tourism Holdings Limited ordinary shares over the 20 days leading up to the grant date.

3. The options can be exercised at the election of the employee after a minimum of two years from the grant date. A maximum of one third of the options can be exercised after two years, two thirds after three years and all options can be exercised after four years. After six years, the options lapse and there is no further right to exercise. The exercise price payable by the executive is the option price plus a cost of equity adjustment for two years, less dividends paid for two years.

4. The participants holding options have no interest in the ordinary shares that are the subject of the options, until the options are exercised and ordinary shares issued.

5. Valuation of the options for accounting purposes is done by KPMG using the Binomial Option Pricing Model. The assessed value is charged to the income statement over the life of the scheme/option with a corresponding credit to the employee share scheme reserve.

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

	ISSUED PRICE	2021 GRANT	2020 GRANT	2019 GRANT	2018 GRANT	2017 GRANT	TOTAL OPTIONS
At 30 June 2019		–	–	1,160,000	786,666	893,333	2,839,999
FY2020 transactions							
Options granted	\$1.29	–	1,440,000	–	–	–	1,440,000
At 30 June 2020			1,440,000	1,160,000	786,666	893,333	4,279,999
FY2021 transactions							
Options granted	\$2.27	2,155,000	–	–	–	–	2,155,000
Options cancelled		–	(360,000)	(345,000)	(106,667)	(40,000)	(851,667)
At 30 June 2021		2,155,000	1,080,000	815,000	679,999	853,333	5,583,332

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

The value of the share transfer rights is calculated using the Binomial Option Pricing Model and is being amortised over the life of the share transfer rights. The 2021 expense of \$306k (2020: \$360k) will accumulate in the employee share scheme reserve.

Notes to the consolidated financial statements (continued)

34. Share-based payments (continued)

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

	2021	2020
Issue price	\$2.27	\$1.29
Forecast dividend yield over the life of the transfer rights	6.00%	9.20%
Risk free rate of interest over the exercise period of the share transfer rights	0.58%	1.17%
Volatility of Tourism Holdings Limited share price returns mid point	35.00%	32.3%
Cost of equity adjustment	10.61%	11.0%

Share scheme 2020

In the 2021 financial year the Group introduced an equity-settled, share-based short term retention plan (FY21 Scheme) in lieu of the cash based short term incentive scheme for employees that are eligible per the terms of their employment.

Under the FY21 Scheme, the Group receives services from employees as consideration for (a) Share Options to purchase ordinary shares of Tourism Holdings Limited at a pre-determined exercise price, and/or (b) Share Rights that can be exercised for the issue of ordinary shares of Tourism Holdings Limited, with no exercise price. The fair value of the employee services received in exchange for the grant of the Share Options and Share Rights is recognised as an expense in the income statement, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the Share Options and Share Rights granted. Amounts accumulated in the employee share scheme reserve are transferred to share capital on the exercise of the Share Options and Share Rights, or to retained earnings where they are forfeited or not exercised after the vesting date. At the end of each reporting period, the Group revises its estimate of the number of Share Options and Share Rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the employee share scheme reserve.

The terms of the 2020 scheme are contained in a document entitled ‘The Tourism Holdings Short Term Incentive Scheme 2020’.

- (1) Share Options to purchase ordinary shares, and Share Rights that can be exercised for the issue of ordinary shares, are issued to eligible employees by the Board.
- (2) The Share Option price is equal to the volume weighted average price of Tourism Holdings Limited ordinary shares over the 20 trading days leading up to the date on which the offer is provided.
- (3) 50% of the Share Options and Share Rights vest 12 months after the grant date, and the remaining 50% vest 24 months after the grant date. After the Share Options and Share Rights have vested, they can be exercised by the employee by giving notice to the Group.
- (4) The Share Rights lapse if not exercised by the employee by the latter of:

(a) sixty (60) days after the applicable vesting date; and

(b) the end of the calendar year in which the vesting date occurred.

The Share Options lapse if not exercised by the employee within six years of the grant date.
- (5) The exercise price payable by the employee for the Share Rights is nil. The exercise price payable by the employee for the Share Options is the option price.
- (6) The participants holding Share Rights and Share Options have no interest in the ordinary shares that are the subject of the Share Options or Share Rights, until the Share Options or Share Rights are exercised and ordinary shares issued.
- (7) A valuation of the Share Options for accounting purposes is done by KPMG using the Binomial Option Pricing Model. The assessed value is charged to the income statement over the life of the option with a corresponding credit to the employee share scheme reserve.

Notes to the consolidated financial statements (continued)

34. Share-based payments (continued)

Movements in share rights granted under the 2021 scheme are as follows:

	ISSUED PRICE	2021 GRANT	TOTAL RIGHTS
FY2021 transactions			
Rights granted	\$2.00	939,630	939,630
At 30 June 2021		939,630	939,630

The 2021 expense of \$1,398k will accumulate in the employee share scheme reserve.

Movements in share options granted under the 2021 scheme are as follows:

	ISSUED PRICE	2021 GRANT	TOTAL OPTIONS
FY2021 transactions			
Options granted	\$2.01	672,835	672,835
At 30 June 2021		672,835	672,835

The 2021 expense of \$283k will accumulate in the executive share scheme reserve.

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

	2021
Risk free rate of interest over the exercise period of the share transfer rights	0.42%
Volatility of Tourism Holdings Limited share price returns mid point	30.00%



Notes to the consolidated financial statements (continued)

35. Reconciliation of (loss)/profit after taxation with cash flows from operating activities for the year ended 30 June 2021

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

	NOTES	2021 \$000's	2020 \$000's
<b>Operating (loss)/profit after tax</b>		(14,514)	27,356
<b>Plus/(less) non-cash items:</b>			
Depreciation of property, plant and equipment	12	39,309	54,166
Depreciation of right-of-use assets	13	8,221	7,807
Amortisation of fixed term intangibles	17	1,167	1,160
Amortisation of executive share scheme	34	2,112	375
Movement in deferred taxation		(1,901)	(7,431)
Increase/(decrease) in provision for doubtful debts		(903)	1,125
Interest		10	(214)
Impairment of assets	17	46	3,256
Share of (profit)/loss from joint venture and associates	19, 20	(736)	9,526
Non-cash Director remuneration		164	136
Fair value (gain)/losses on financial assets at FVPL		(1,178)	-
Gain on termination of Mangere lease		(1,621)	-
Total non-cash items		44,690	69,906
<b>Plus/(less) items classified as investing activities:</b>			
Net loss on sale of property, plant and equipment		822	110
Net gain recognised in relation to the Togo Group transaction		-	(683)
Net loss recognised in relation to the AMLP transaction	19	1,406	-
Total items classified as investing activities		2,228	(573)
<b>Reclassification of cash flows associated with rental assets</b>			
Net book value of rental assets sold		157,993	100,923
Purchase of rental assets		(119,922)	(108,790)
Total cash flows associated with rental assets		38,071	(7,867)
<b>Trading cash flow</b>		70,475	88,822
<b>Plus/(less) movements in working capital:</b>			
(Decrease)/increase in trade payables excluding rental assets		2,068	(4,598)
(Decrease)/increase in revenue received in advance		(346)	(14,141)
(Decrease)/increase in provision for taxation		384	(1,477)
(Decrease)/increase in employee benefits		122	(1,317)
Decrease/(increase) in trade and other receivables		10,629	1,823
(Increase)/decrease in inventories		3,644	(23)
Total movements in working capital		16,501	(19,733)
<b>Net cash flows from operating activities</b>		86,976	69,089

Notes to the consolidated financial statements (continued)

35. Reconciliation of (loss)/profit after taxation with cash flows from operating activities (continued)

Net debt reconciliation

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

	2021 \$000's	2020 \$000's
Cash and cash equivalents	38,087	35,514
<b>Total cash and cash equivalents</b>	<b>38,087</b>	<b>35,514</b>
Borrowings, short-term	(125)	-
Borrowings, long-term	(86,659)	(163,322)
Lease liabilities, short-term	(8,787)	(7,304)
Lease liabilities, long-term	(64,479)	(74,567)
<b>Net debt</b>	<b>(121,963)</b>	<b>(209,679)</b>
Cash and cash equivalents	38,087	35,514
Gross debt – variable interest rates	-	-
Gross debt – fixed interest rates	(160,050)	(245,193)
<b>Net debt</b>	<b>(121,963)</b>	<b>(209,679)</b>

Cash and cash equivalents includes cash on hand, cheques, deposits held at call with financial institutions and bank overdrafts.

There is no restricted cash as at 30 June 2021 (2020: nil).

	ASSETS	LIABILITIES FROM FINANCING ACTIVITIES		TOTAL
	CASH/BANK OVERDRAFT	BORROWINGS DUE WITHIN ONE YEAR	BORROWINGS DUE AFTER ONE YEAR	
<b>Balance at 1 July 2019</b>	8,837	(46)	(210,980)	(202,189)
Cash flow	26,390	46	52,742	79,178
Foreign exchange adjustment	287	-	(5,084)	(4,797)
Non-cash movement – lease liabilities	-	(7,304)	(74,567)	(81,871)
<b>Net debt at 30 June 2020</b>	35,514	(7,304)	(237,889)	(209,679)
<b>Balance at 1 July 2020</b>	35,514	(7,304)	(237,889)	(209,679)
Cash flow	4,389	-	74,567	78,956
Foreign exchange adjustment	(1,816)	-	2,096	280
Non-cash movement – AMLP acquisition	-	(125)	-	(125)
Non-cash movement – lease liabilities	-	(1,483)	10,088	8,605
<b>Net debt at 30 June 2021</b>	38,087	(8,912)	(151,138)	(121,963)

Notes to the consolidated financial statements (continued)

36. Deferred income tax

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

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

	2021 \$000's	2020 \$000's
Beginning of the year	10,230	22,224
Income statement charge – provision	148	(2,577)
Income statement charge – property plant and equipment	(4,753)	(2,858)
Tax losses	287	(4,156)
Losses to utilise to generate cash refund	–	2,835
Adjustment for US tax losses carried back <sup>1</sup>	2,510	(1,085)
Adjustment on adoption of NZ IFRS 16	–	(3,504)
Tax charged to equity-derivative	610	(649)
End of the year	9,032	10,230

	2021 \$000's	2020 \$000's
Amounts recognised in income statement		
Provisions	(5,172)	(4,395)
Property, plant and equipment	35,726	41,946
Tax losses	(18,321)	(19,711)
Tax credits <sup>1</sup>	–	(2,510)
Leases	(2,284)	(3,504)
Amounts recognised directly in equity		
Derivative financial instruments	(917)	(1,596)
Net deferred tax liability	9,032	10,230

	30 JUNE 2021 \$000's	30 JUNE 2020 \$000's
Deferred tax assets	(957)	(1,656)
Deferred tax liabilities	9,989	11,886
Net deferred tax liability	9,032	10,230

<sup>1</sup> Tax credits include tax losses in the US which were rolled back to previous tax years prior to the rate change where tax had been filed at the higher rate

37. Fire in Mangere, Auckland

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

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

Notes to the consolidated financial statements (continued)

37. Fire in Mangere, Auckland (continued)

The Group has recognised the following amounts for the year ended 30 June 2021:

	30 JUNE 2021 \$000's
Insurance recoveries received	1,826
Insurance recoveries receivable	1,286
Leasehold improvements and inventories written off	(1,164)
Rental vehicles written off (11 motorhomes)*	(678)
Cost of repair damaged rental vehicles	(131)
Other ongoing costs incurred	(1,009)
Net profit before tax impact	130

\* At 30 June 2020, in the note “Events after the reporting period”, the Group estimated 19 motorhomes to be categorised by the loss adjuster as destroyed, due to their positioning within the building. This has since been assessed and 8 motorhomes have been re-categorised to economically viable to repair

38. Changes in accounting policies and disclosures

Issued standards and amendments effective from 1 July 2020

There are no new or amended standards which have been adopted in the year ended 30 June 2021 that have a material impact on the Group.

Following the publication of the IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation costs in a Cloud Computing Arrangement in March 2021, the Group has considered and concluded that there is no change of accounting policy required.

During the year ended 30 June 2021, **thl** received rent concessions due to COVID-19. The Group did not assess whether the rent concessions qualify as lease modifications, as a practical expedient was applied, in accordance with the COVID-19-Related Rent Concessions amendment to NZ IFRS 16 Leases as issued in May 2020 and approved in New Zealand in June 2020.

39. Contingencies

As at 30 June 2021 the Group has bank guarantees of \$1,622k in place. Predominantly these are in lieu of bonds paid relating to leased assets (2020: \$1,113k).

40. Events after the reporting period

The global impact of COVID-19 is ongoing, and continues to have a financial impact on the Group. Subsequent to 30 June 2021, there have been varying degrees of border restrictions and lock-down requirements in each of the jurisdictions that the Group operates in, particularly with the confirmation of community spread of the COVID-19 delta variant in Australia and, most recently, in New Zealand. The recent changes in COVID-19 alert levels in New Zealand and the different form of lockdown requirements in other jurisdictions did not result in any changes to the forecast covenant compliance or to the Group's impairment assessment.

There were no other material events that occurred subsequent to the reporting date which require recognition or additional disclosure in these financial statements.





# Independent auditor’s report

To the Shareholders of Tourism Holdings Limited

### Our opinion

In our opinion, the accompanying consolidated financial statements of Tourism Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

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

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

### Independence

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

Our firm carries out other services for the Group in the areas of agreed upon procedures in relation to: Waitomo lease compliance for FY20, the interim financial statements, quarterly banking compliance certificate, holiday pay calculation remediation and COVID-19 payroll changes assessment. In addition, certain partners and employees of our firm may purchase goods or use the services of the Company on normal terms within the ordinary course of the trading activities of the Group. These relationships and provision of other services have not impaired our independence as auditor of the Group.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Funding requirements and forecast compliance with bank financial covenants, including the ongoing impact of COVID-19</b></p> <p>As at 30 June 2021, the Group’s bank borrowings were \$84.5 million. Note 25 <i>Borrowings</i> explains that the Group entered into an amended facility agreement on 14 June 2021 for debt funding committed facilities of approximately \$250 million, maturing between June 2023 and June 2024, with certain financial covenants.</p> <p>Those covenants include a requirement for the Group to meet an EBITDA target (tested quarterly) from the period ending 30 September 2021, and if not achieved, a leverage ratio covenant applies.</p> <p>The Group has assessed forecast compliance with these covenants by preparing a cash flow scenario based forecast for the Group for the next four years and using the forecast to calculate the expected performance against the financial covenants at future calculation dates. The assessment prepared by the Group shows compliance with covenants at all dates.</p> <p>We consider this as a key audit matter because forecasts are inherently subjective, with key assumptions based on estimates and judgement, coupled with the uncertainties of the ongoing effect of COVID-19 on the Group’s performance and cash flows.</p>	<p>We obtained an understanding of the controls implemented by management over forecast compliance with covenants and assessed whether they were appropriately designed and implemented.</p> <p>We read the amended bank borrowing facility agreement and understood the amended covenant requirements and undertakings.</p> <p>We obtained management’s forecast, including the forecast calculations to assess compliance against relevant covenants for at least 12 months from the date of approval of the consolidated financial statements, and performed the following procedures:</p> <ul style="list-style-type: none"><li>• compared management’s forecast to the board approved budget, noting that any differences do not change the outcome of the assessment;</li><li>• understood management’s forecasting process and the basis for determining the key assumptions;</li><li>• assessed management’s historical forecasting reliability by comparing the Group’s actual results against the forecast over the last three years. Where actual results deviated from historical forecast results, we understood the underlying reasons and considered the potential impact on the reliability of the forecast prepared in the current year;</li><li>• tested the mathematical accuracy of the forecast model;</li><li>• assessed the reasonableness of the key assumptions incorporated in the forecast;</li><li>• reviewed the forecast sensitivity analysis performed by management and overlaid this with our own assessment and assumptions;</li><li>• assessed the impact of the most recent results, subsequent to balance date, to the forecast assumptions and forecast covenant compliance;</li><li>• reperformed the forecast covenant compliance calculations at the calculation dates for at least 12 months from the date of approval of the consolidated financial statements; and</li><li>• considered the adequacy of disclosures in note 25 to the consolidated financial statements in accordance with the relevant accounting standards.</li></ul>



Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Impairment assessment of non-financial assets, including the ongoing impact of COVID-19</b></p> <p>The Group tests intangible assets with indefinite useful lives annually for impairment and tests other non-financial assets for impairment whenever there are indicators that the carrying amount may not be recoverable. The ongoing economic impact of COVID-19 on the tourism industry worldwide is an impairment indicator.</p> <p>The Group has performed the impairment assessment by comparing each of the cash generating unit's (CGU) recoverable amount, determined using value in use (VIU), with each of the CGU's carrying amount (note 17).</p> <p>In preparing the VIU assessment, the Board of Directors (the Board) took into account the current profitability of the Group and the ongoing impact of COVID-19 on each of the CGU's operations.</p> <p>The Board also considered the impairment on an individual asset basis, with particular focus on the following non-financial assets, by:</p> <ul style="list-style-type: none"><li>· analysing recoverability of ex-rental motorhomes through sale to determine whether there is an indication of impairment of motorhome vehicle assets; and</li><li>· assessing the impact of onerous leases to the right-of-use assets.</li></ul> <p>The impairment assessment was a key focus area of our audit due to the inherent judgement in assessing impairments and the ongoing impacts of COVID-19 on the assumptions applied by the Board in their impairment assessment.</p>	<p>We obtained an understanding of the controls implemented by management over impairment assessments and considered whether they were appropriately designed and implemented.</p> <p>In considering the impairment assessments for each CGU, we performed the following:</p> <ul style="list-style-type: none"><li>· obtained the Group's impairment assessment and model and held discussions with management to understand:<ul style="list-style-type: none"><li>– the Group's continued strategy in navigating through the ongoing impact of COVID-19;</li><li>– the current performance of each CGU and the forecasts; and</li><li>– the basis for determining the key assumptions in preparing the impairment models.</li></ul></li><li>· considered whether the methodology applied was appropriate and tested the mathematical accuracy of the impairment models;</li><li>· compared actual results to forecast performance for the past three financial years, understood reasons for deviations, analysed key trends and considered the impact on our assessment of forecast earnings;</li><li>· considered the actual results for the month of July 2021 against budget; and</li><li>· engaged our auditor's valuation expert to:<ul style="list-style-type: none"><li>– assess the valuation methodology underlying the impairment analysis including the mechanical calculation of the impairment models;</li><li>– assess the reasonableness of the discount rate, terminal value methodology and assumptions; and</li><li>– perform a fair value less costs of disposal assessment as an alternative recoverable amount for the US CGU.</li></ul></li></ul> <p>In considering the impairment on an individual asset basis, we focused on motorhome vehicles and right-of-use assets and performed the following:</p> <ul style="list-style-type: none"><li>· compared the carrying value of ex-rental motorhomes sold during the year to the selling price to determine whether there were any indicators of unrecognised impairment; and</li><li>· understood the impact of onerous leases, if any, to the right-of-use assets.</li></ul> <p>We also assessed the adequacy of disclosures in note 12 and note 16, including the sensitivity analysis disclosed in note 17 of the consolidated financial statements, in accordance with the relevant accounting standards.</p>



Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Valuation of financial asset at fair value through profit or loss</b></p> <p>The Group's retained interest in Togo Group in the form of Class B preference shares with a carrying amount of \$20.8 million at 30 June 2021 (2020: \$21.4 million) is a financial asset measured at fair value through profit or loss (FVPL) (note 29).</p> <p>The financial asset's fair value was determined based on the value of the Class B preference shares less the value of the call option component. The Group utilised an external valuation expert to determine the value of the financial asset as at the date of the Togo exit transaction, using the consideration value agreed by both Thor Industries and the Group as part of the exit arrangement, to derive the value of the Class B preference shares and using a Black-Scholes model to determine the call option value.</p> <p>In determining the valuation of the financial asset at 30 June 2021, the Group has applied certain assumptions, estimates and judgements to determine the valuation of the financial asset at FVPL as disclosed in note 18 and the inputs and sensitivities are disclosed in note 31 of the consolidated financial statements.</p> <p>Due to the subjectivity in valuing the financial asset, and the start-up nature of the Togo Group, it could result in a material misstatement of the valuation of the financial asset, and therefore is a key audit matter.</p>	<p>In considering the valuation of the retained interest in Togo Group, we performed the following:</p> <ul style="list-style-type: none"><li>· understood through discussion with management and the Board the basis of the assumptions used in the valuation, and where appropriate, obtained supporting documentation;</li><li>· engaged our valuation expert to assess the reasonableness of the methodology and assumptions used; and</li><li>· assessed the adequacy of disclosures, including the sensitivity analysis as disclosed in note 31 of the consolidated financial statements, in accordance with the relevant accounting standards.</li></ul>





Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

DESCRIPTION OF THE KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Residual values and depreciation rates for motorhomes</b></p> <p>The Group generates revenue from motorhomes through rental income and the sale of motorhomes from its ex-rental fleet that have been reclassified to inventory. As disclosed in note 12 of the consolidated financial statements, the net book value of motorhomes at 30 June 2021 was \$274.1 million, after \$35.7 million of depreciation charged for the year. The total net book value of motorhomes reclassified to inventory at balance date was \$36.0 million. As disclosed in note 2 of the consolidated financial statements, during the year the Group sold motorhomes for \$229.1 million with a total cost of sales of \$186.0 million.</p> <p>The method of estimating the depreciation rate, which includes an estimation of residual values, is detailed in note 12 of the consolidated financial statements.</p> <p>The estimation of an appropriate depreciation rate for motorhomes directly affects both depreciation expense and the net book value of ex-rental fleet reclassified to inventory, and can therefore have a significant impact on both the current and future profit of the Group, which is why we have given this area specific audit focus and attention.</p>	<p>We obtained an understanding of the controls implemented by management over their review of residual values and depreciation rates and assessed whether they were appropriately designed and implemented.</p> <p>We performed the following audit procedures to assess the judgements made by management in determining the residual values and depreciation rates for motorhomes:</p> <ul style="list-style-type: none"><li>• updated our understanding of the relevant business processes and management’s annual assessment of motorhome residual values and depreciation rates;</li><li>• considered whether the methodology applied and data used were consistent with prior period. Where changes were noted, further procedures were performed to assess reasonableness of such changes;</li><li>• tested mathematical accuracy of the calculations supporting management’s analysis;</li><li>• for a sample of motorhomes sold during the year, compared the sales proceeds to the carrying amount (i.e. the depreciated net book value) and recalculated the profit or loss on sale;</li><li>• compared the actual sales margin and depreciation rates achieved during the year to historical and forecasted results. Where actual results deviate from historical and/or forecasted results, we understood the underlying reasons and considered the potential impact on current and future depreciation rates;</li><li>• assessed whether depreciation rates applied were consistent with the accounting policy and recalculated the depreciation charge for the year; and</li><li>• considered the adequacy of disclosure, including the appropriateness of the sensitivity analysis as disclosed in note 12, in accordance with the relevant accounting standards.</li></ul>



Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

Our audit approach

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graph TD; Materiality --> AuditScope[Audit scope]; AuditScope --> KeyAuditMatters[Key audit matters];
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**Overview**

Overall group materiality: \$1,400,000, which approximately represents 4% of a three year weighted average operating profit before financing costs.

We chose this approach as it reduces the impact of one off results which do not reflect the long term performance of the business.

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

As reported above, our key audit matters are:

- Funding requirements and forecast compliance with bank financial covenants, including the ongoing impact of COVID-19
- Impairment assessment of non-financial assets, including the ongoing impact of COVID-19
- Valuation of financial asset at fair value through profit or loss
- Residual values and depreciation rates for motorhomes.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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



Independent auditor’s report (continued)

To the Shareholders of Tourism Holdings Limited

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board’s website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor’s report.

Who we report to

This report is made solely to the Company’s Shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor’s 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.

The engagement partner on the audit resulting in this independent auditor’s report is Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland  
25 August 2021

Corporate governance

For the year ended 30 June 2021

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

**thl**’s corporate governance framework includes:

- The constitution of **thl**, which describes the ‘rules’ under which the Company operates, including issue and other share transactions, distributions, shareholder meetings, Director appointment, remuneration and powers, and the conduct of Board and shareholder meetings.
- The Board Charter and sub-committee charters, which set out the roles and responsibilities of the Directors.
- The Code of Ethics, which outlines the standards of ethical behaviour expected of Directors, staff and contractors.
- The Market Disclosure Policy, which outlines the policy around disclosure of company information, including the commitment to compliance with continuous disclosure requirements.
- The Securities Trading Policy, which outlines policy and guidelines around trading in **thl** securities by Directors, officers and staff.
- The Diversity Policy, which outlines the commitment to diversity in Board, Executive and staff appointments.
- The Delegated Authority Policy, which outlines the delegation of authority by the Board to management, and the authorisation levels at which Board approval is required.

**thl**’s governance practices have been reviewed against the recommendations of the NZX Corporate Governance Code (**‘Code’**). The Board considers that the **thl** governance framework and practices for the year ended 30 June 2021 are in compliance with the recommendations of the Code, except in respect of the setting of measurable objectives for diversity, as further noted on page 132. The information in this Governance Report is current as at 25 August 2021 and has been approved by the **thl** Board.

**thl**’s corporate governance policies and charters are available on its website at [www.thlonline.com](http://www.thlonline.com).

Principle 1 – Ethical behaviour

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

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

**thl** has adopted a Code of Ethics to ensure it maintains such high ethical standards and reinforces **thl**’s commitment to the community. The Code of Ethics addresses the areas of ethical business practices, insider trading, conflicts of interest and use of Company property, amongst other matters. The Code of Ethics is available at [www.thlonline.com](http://www.thlonline.com).

Securities Trading Policy

**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 must notify **thl** of their intention to trade and obtain approval from the Board before trading in **thl**’s shares. No trading in shares is permitted in ‘blackout periods’ from 1 June each year until 48 hours after the release of the full year results and from 1 December each year until 48 hours after the release of the half year results, except in exceptional circumstances. In the year ending 30 June 2021, no consent was provided for any restricted persons to trade during a blackout period.



Corporate governance (continued)

For the year ended 30 June 2021

Principle 1 – Ethical behaviour (continued)

Trading is permitted outside the blackout periods, provided the restricted person confirms that they do not hold any material information and that they are not aware of any reason that would prohibit them from trading. Any trading must be completed within 10 trading days of approval being given. Restricted persons are defined in the policy as:

- all Directors;
- the Chief Executive Officer (CEO);
- all members of the senior management team and their direct reports;
- the administrative staff of the senior management team;
- all employees in the finance department;
- trusts and companies controlled by such persons;
- anyone notified by the CFO from time to time; and
- anyone participating in the Long-Term Incentive Scheme.

The Securities Trading Policy is available at [www.thlonline.com](http://www.thlonline.com).

Principle 2 – Board composition and performance

“To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.”

Board skills and expertise

**thl**'s Board is comprised of Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance and leadership. The current Directors have a varied and balanced mix of skills, including extensive operational experience, knowledge of the tourism industry, as well as extensive experience in capital markets, growth and global transactions.

Below is a summary of the key skills and expertise held by the Board, which are considered most relevant to effectively fulfilling the Board's current objectives:

- Corporate governance experience, including publicly listed company experience;
- Global business experience in multi-site operations;
- Tourism industry experience;
- Experience in development and execution of growth strategies;
- Experience with digital innovation;
- Sustained positive people leadership;
- Community and Iwi engagement;
- Focus on deployment and management of capital for a strong return on funds employed;
- Investment banking, capital markets and M&A transaction experience;
- Legal and regulatory expertise;
- Financial governance and audit oversight;
- Health and safety governance and management experience;
- Treasury and funding expertise;
- Economics - global and local New Zealand expertise; and
- International business leadership and CEO and CFO experience.

Individual Director profiles are set out in the Board of Directors section.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 2 – Board composition and performance (continued)

Roles and Responsibilities of the Board

The Board is committed to managing **thl** in an ethical and professional manner, and in the best interests of the Company and its shareholders. **thl** has a Board Charter, available on its website, which amongst other matters sets out the specific responsibilities of the Board, including 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 executives (being the direct reports to the Chief Executive Officer);
- Setting the remuneration of the Chief Executive Officer and Chief Financial Officer, approval of the remuneration of the senior executives, and the adoption of **thl**'s remuneration policy;
- Overseeing the development, adoption and communication of the corporate strategy and objectives and oversight of the adequacy of **thl**'s resources required to achieve the strategic objectives;
- Approval of and monitoring of actual results against the annual business plan and budget (including the capital expenditure plan);
- Review and ratification of **thl**'s risk management framework, internal compliance and control, codes of conduct, and legal compliance;
- Approval and monitoring of the progress of capital expenditures, capital management initiatives, and acquisitions and divestments;
- Overseeing accounting and reporting systems and **thl**'s compliance with its continuous disclosure obligations;
- Approval of the annual and half-year financial statements;
- Setting measurable objectives for achieving diversity with the organisation; and
- Adopting and reviewing **thl**'s risk management framework.

Board performance evaluation and training

On an annual basis the Chair conducts a review of Board performance. A review using an independent external facilitator is conducted bi-annually. Board Committees review performance against their Charters on an annual basis. The Remuneration & Nomination Committee is responsible for ensuring Directors remain up to date with relevant training.

Director appointment and nomination

The policy for appointment and retirement of Directors is contained within **thl**'s constitution and Board Charter. In accordance with the **thl**'s Listing Rules, Directors must not hold office (without re-election) past the third Annual Meeting following their appointment or three years, whichever is longer.

Rob Campbell and Debbie Birch shall retire by rotation at the 2021 Annual Meeting and, being eligible, will offer themselves for re-election.

The process for the nomination of Directors is set out in the Remuneration & Nomination Committee Charter. The Remuneration & Nomination Committee is responsible for identifying and assessing the necessary and desirable competencies and characteristics for Board membership, and maintaining a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

**thl** has entered into a written agreement with each of its Directors, setting out the terms of their appointment. **thl**'s terms of appointment for Directors is set out at Schedule 1 of the **thl** Board Charter.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 2 – Board composition and performance (continued)

Director independence

The criteria to determine whether Directors are independent is set out in the Board Charter. All the Directors holding office on 30 June 2021, with the exception of Guorong Qian, are considered to be independent. Directors are required to inform the Board of any relevant information that may impact independence. The Remuneration & Nomination Committee Charter reviews the independence of Directors on behalf of the Board.

As part of the independence assessment in respect of Cathy Quinn, the Board has considered Cathy’s role as a former partner, and as a current part-time consultant, at MinterEllisonRuddWatts (**MERW**). MERW provides legal services to **thl**. As a former partner that resigned from the partnership in 2019, Cathy has previously been in a senior role in a material professional services provider to **thl**. The **thl** Board is of the view that Cathy’s current and former involvement with MERW does not impact her capacity to bring an independent view to decisions relating to **thl**, or act in the best interests of **thl**, or represent the interests of **thl**’s shareholders generally, and is therefore not a ‘disqualifying relationship’ under the NZX Listing Rules. In coming to that view, the Board has considered Cathy’s limited involvement with MERW in her current role as a part-time consultant, as well as the strict protocols that have been in place at MERW since Cathy became a Director of **thl**, that ensure that Cathy has not had any involvement in the provision of legal services to **thl** or any decisions relating to **thl** from MERW’s perspective.

Board Diversity Policy

The **thl** Diversity Policy endorses and supports diversity in Board, Executive and staff appointments, encompassing differences including but not limited to gender, ethnicity, race, marital status, sexual orientation, age, employment status, religious belief, ethical belief or political opinion. When making appointments, the Board and management are committed to considering diversity as well as the mix of skills and experience needed to expand the perspective and capability of the Board and the management team as a whole.

The **thl** Diversity Policy is available at [www.thlonline.com](http://www.thlonline.com). It requires the Board to consider the diversity position of **thl** annually and whether to set any measurable objectives, which may be numerical and non-numerical.

The ongoing impact of COVID-19 on **thl** has meant a delay in the diversity benchmarking work that was scheduled for the 2020 financial year. Preliminary work is currently underway to identify and collate existing diversity information across the Australia, New Zealand and USA operations. This will identify any specific gaps in the current information base, prior to undertaking a crew diversity survey which is timed for later in the 2022 financial year. Once completed, the results will be reported to the **thl** Board, who will review and set measurable targets for annual reporting from the 2022 financial year onwards.

The Board considers that it currently has the appropriate mix of skills, experience and diversity to fulfil its responsibilities under the NZX Listing Rules and the **thl** Diversity Policy.

Principle 3 – Board Committees

*The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."*

There are five standing Committees described below, each of which operates under a written charter. The performance of the standing Committees is reviewed annually against the Charters.

Each Committee is authorised to deal with matters as set out in its Charter or falling within its mandate. Where the Board has delegated decision-making authority to a Committee, that Committee is entitled to make decisions on such matters, otherwise the Committee is to submit recommendations to the Board for consideration. From time to time, the Board delegates specific matters to the appropriate Committee in order to ensure that a detailed review and analysis is undertaken. The Committee then reports back to the Board regarding their findings and recommendations.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 3 – Board Committees (continued)

The Audit Committee

The Audit Committee is comprised solely of Non-Executive Directors of the Board, a majority of whom must be independent Directors. The Chair of the Audit Committee must not be the Chair of the Board.

The Committee meets a minimum of three times each year. The Audit 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. **thl** employees are able to attend Audit Committee meetings from time to time by invitation from the Committee.

The Audit Committee oversees **thl**’s internal audit work programme based on **thl**’s risk management framework. An internal audit work plan is developed each year, with internal audit assignments completed by the internal finance function, with external support as required. The business has a separate health and safety function, with regular reporting to Board and management.

The current composition of the Audit Committee is Rob Hamilton (Chair), Debbie Birch, Rob Campbell, Cathy Quinn and Gráinne Troute.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is comprised of at least three Non-Executive Directors of the Board, a majority of whom must be independent Directors.

The Committee meets a minimum of two times each year. The Remuneration & Nomination Committee supports the Board on matters relating to human resources and remuneration. It assesses the role and responsibilities, composition, training and membership requirements and remuneration for the Board, including recommendations for the appointment and removal of Directors.

The current composition of the Remuneration & Nomination Committee is Gráinne Troute (Chair), Rob Campbell and Guorong Qian. Management may attend meetings of the Remuneration & Nomination Committee by invitation only.

Market Disclosure Committee

The Market Disclosure Committee is comprised of the Chair of the Board, the Chair of the Audit Committee and the Chair of the Sustainability & Risk Committee. Also in attendance are Grant Webster (Chief Executive Officer) and Nick Judd (Chief Financial Officer). The Committee monitors compliance with the Group’s Market Disclosure Policy which covers compliance with NZX Listing Rules, the Companies Act 1993, the Financial Markets Conduct Act 2013 and other guidelines issued by the Financial Markets Authority and the NZX.

The Committee meets if required outside of normal Board meetings to approve market disclosures.

Marketing & Customer Experience Committee

The Marketing & Customer Experience Committee is comprised of at least two Non-Executive Directors of the Board. The current composition of the Marketing & Customer Experience Committee is Debbie Birch (Chair), Gráinne Troute, Cathy Quinn and Rob Campbell. The Committee supports the Board and management on strategy around brand, marketing and customer experience. The Committee meets a minimum of three times each year, as required.

Sustainability & Risk Committee

The Sustainability & Risk Committee is comprised of at least two Non-Executive Directors of the Board. The current composition of the Sustainability & Risk Committee is Cathy Quinn (Chair), Rob Campbell, Gráinne Troute and Debbie Birch. The Committee supports the Board and management on sustainability policies and practices and strategic risk management. The Committee meets a minimum of three times each year, as required.

Other Committees

The **thl** Board establishes other temporary Committees from time to time when required for a specific purpose. This includes Committees for the governance of capital raising processes or for the progression of acquisition opportunities. Membership of these Committees is assessed on a case by case basis.

Takeover protocols

**thl** has a written protocol that describes the process to be followed in the event of a takeover offer. The protocol includes the appointment of a sub-Committee of independent Directors.



Corporate governance (continued)

For the year ended 30 June 2021

Principle 4 – Reporting and disclosure

“The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

The Board is committed to ensuring that shareholders and the market are provided with complete and timely information about the activities of the business to allow proper accountability between **thl** and shareholders, employees and other stakeholders. The Board has overall responsibility for ensuring the integrity of **thl**'s reporting and disclosure.

Continuous disclosure

**thl**'s obligations under the NZX Listing Rules require it to advise the market about any material events promptly and without delay once the Company becomes aware of such information. The Board has in place a Market Disclosure Policy in order to ensure that the Company is able to comply with its continuous disclosure obligations.

The Market Disclosure Policy contains a procedure for the escalation of potential material information to the Market Disclosure Committee, in order to allow the Committee to determine whether the information is material and whether an announcement is required. The Market Disclosure Policy is provided to all **thl** staff and is also available on [www.thlonline.com](http://www.thlonline.com). Additionally, **thl** provides training regarding its continuous disclosure obligations to all staff, sends annual reminders of **thl**'s Market Disclosure Policy and information escalation procedures, and monitors compliance on an ongoing basis.

Financial reporting

The Audit Committee is responsible to the **thl** Board in relation to financial reporting. It reviews the interim and annual financial statements and reports to the Board regarding compliance with relevant laws and recognised accounting policies. It is also responsible for ensuring that **thl** retains accurate financial and accounting records, and that all financial reporting is done in an accurate and timely manner.

Non-financial reporting

**thl** has adopted the internationally recognised International Integrated Reporting <IR> Framework in order to ensure its disclosure of non-financial reporting is balanced, transparent, connected to the financial, social and environmental performance, and easily comparable to other companies.

Principle 5 – Remuneration

“The remuneration of Directors and Executives should be transparent, fair and reasonable.”

**thl** is committed to a fair approach to remuneration which ensures alignment between remuneration levels and business needs. A clear set of boundaries and process to guide **thl**'s philosophy for remuneration has been set by the Remuneration & Nomination Committee in the **thl** Remuneration Policy.

The **thl** Remuneration Policy is available on **thl**'s website at [www.thlonline.com](http://www.thlonline.com).

Director remuneration

The fees payable to Directors is set by the Board, usually with the advice of independent consultants, in line with the **thl** Remuneration Policy. Director remuneration is to be appropriate to the market and reflect the time commitment and responsibilities of the role. As **thl** does not have any Executive Directors, its Director remuneration policy is applicable only to Non-Executive Directors.

The total fee pool approved by the shareholders for Director remuneration at the 2018 Annual Meeting is \$750,000. The annual fees currently paid to Directors is \$175,000 for the Chairperson, \$87,500 for each Director, plus \$15,000 for the Chairperson of the Audit Committee and \$10,000 for the Chairperson of each other Committee. Total Directors' remuneration received, or due and receivable during the year ended 30 June 2021 is set out on page 139 in the Director remuneration note below.

**thl** also has in place a fixed share plan under which Directors may elect to receive ordinary shares in **thl** in lieu of their Director fees (either in whole or in part). This share plan was previously approved by **thl** shareholders.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 5 – Remuneration (continued)

CEO and Executive remuneration

Decisions concerning the remuneration of the CEO require approval from the Board, usually on the recommendation of the Remuneration & Nomination Committee, unless specifically delegated to that Committee. Decisions concerning the remuneration of any other C-level positions, General Managers or similar require approval from the Chair of the Remuneration & Nomination Committee and are subject to the oversight of the Committee at least annually.

**thl** is committed to ensuring that its Executives are fairly and equitably remunerated, and appropriately rewarded for excellent performance and achievement. In addition, **thl** uses a remuneration structure to ensure that the interests of the CEO and Executive team are aligned with the interests of shareholders.

The CEO and Executive remuneration generally consists of a fixed base salary and allowances, annual performance-based incentives and long-term equity-based incentives. The fixed base salary of the CEO and Executive team is reviewed once every two years and benchmarked against the median of the market Annual performance-based incentives are linked to financial and individual targets.

Ordinarily, the CEO and CFO's annual short-term incentive is based 90% on Company financial performance (net profit after tax, and return on funds employed), and 10% on individual performance against specific targets (such as acquisitions and investor relations). The annual incentives of other Executives are based 40% on Company financial performance and 40% on other financial targets, and 20% on individual performance against specific targets. Other eligible senior staff have annual incentives based 60% on financial performance and 40% on individual performance against specific targets.

However, in May 2020, the Board decided that for the year ended 30 June 2021, the normal cash-based short-term incentive scheme would be suspended and replaced with a new **thl** share-based retention scheme (**Share Retention Scheme**). The rationale for the implementation of the replacement Share Retention Scheme was that ongoing uncertainty of trading conditions due to the pandemic meant that no meaningful performance targets could be set. The scheme was to encourage the retention of key employees beyond the normal 12 month period under the ordinary short-term incentive scheme. Additionally, it was to minimise cash expenditure by replacing a cash-based scheme with a share-based scheme, aligning the interests of eligible senior staff with shareholders.

Under the Share Retention Scheme, eligible staff were invited to participate in the scheme, whereby retention share rights are granted to participants to the value of their contractual short-term incentive bonus. Once vested, the share rights are convertible into ordinary shares for no exercise price. Half of the issued share rights vest after 12 months, with the remaining 50% vesting after a further 12 months. Vesting of share rights is also subject to the individual remaining employed by **thl**, as well as **thl** achieving a base financial target for the applicable financial year. In July 2021, half of the share rights that were issued to participating employees in July 2020 were exercised (where those employees met the retention criteria), and an equivalent amount of ordinary shares were issued.

Under the Share Retention Scheme, the Executive team (including the CEO and CFO) were issued share rights to the value of 50% of their contractual short-term incentive bonus, and were issued retention share options in respect of the remaining 50%. The retention share options operate in a similar manner to options issued under **thl**'s long-term incentive (**LTI**) scheme, with shorter vesting periods. The vesting period and conditions for retention share options are equivalent to those of the share rights (i.e. 50% after 12 months and 50% after a further 12 months).

The LTI scheme is designed to align the interests of the Executives with those of the shareholders. Executives are rewarded for long-term increases in shareholder value. Executives are invited to participate in the long-term incentive plan by the Board on an annual basis, and participating Executives are awarded share options at the discretion of the Board. The awarding of options is based on a percentage of fixed remuneration, based on a valuation of the options carried out each year by KPMG. Details of the schemes and the status of options issued under the schemes is included in note to the Financial Statements.

Further detail regarding CEO remuneration for the year ended 30 June 2021 is set out in the CEO remuneration note below.

Staff remuneration

Decisions concerning remuneration of other **thl** staff require approval on a “one-up” basis. This means that no person may make decisions on the remuneration of any person reporting to them without the approval of the person to whom they report.

The number of **thl** staff which received remuneration exceeding \$100,000 in the year ending 30 June 2021 is set out in the employee remuneration section.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 6 – Risk management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

**thl** maintains a framework for the identification, assessment, monitoring and management of material risks to **thl**'s business. The **thl** Board has ultimate responsibility for reviewing **thl**'s risk management framework, however the ongoing oversight is delegated to the Sustainability & Risk Committee in respect of strategic risk management, and to the Audit Committee in respect of financial risk management. The two Committees report to the Board and to each other in respect of potential issues or risks that require further consideration and response.

Strategic risk management

The responsibility of the Sustainability & Risk Committee is to consider, assess and respond to long-term strategic risks to **thl**'s business, and to ensure that **thl** maintains sustainable business practices. This includes oversight and management of **thl**'s risk register and risk contingency plans. The **thl** Board considers that the sustainable business practices are fundamental to ensuring that **thl** can continue to deliver value to its shareholders over the long-term.

**thl** management maintains the material Risk Register and reports to the Board every second month on such risks, with a more detailed risk register being reported to and reviewed by the Board Sustainability & Risk Committee on a regular basis. Management monitors risks on an ongoing basis to identify any new risks as well as any potential changes to the threat posed to **thl**'s business from previously identified risks. Further information regarding the key material risks to **thl** can be found in the Value Protection section in this report.

Financial risk management

The Audit Committee is responsible for ensuring that **thl** has appropriate control and systems in place to manage any financial risks and to protect **thl**'s assets. This involves reviewing **thl**'s risk management system, business policies and practices and internal control framework. The Committee is also responsible for ensuring that **thl** maintains insurance coverage which ensures that earnings are well protected from potential adverse circumstances.

Health and safety

The Sustainability & Risk Committee is responsible for monitoring matters relating to occupational health and safety, and physical and mental wellbeing of **thl** staff, and report to the Board on such matters.

The Committee works with management to identify and maintain a register of workplace hazards, and to ensure that **thl** has in place and appropriately documents its health and safety policies and procedures.

**thl** management report to the Board on any health and safety incidents, including implementation of responses to prevent further incidents, on a monthly basis.

Corporate governance (continued)

For the year ended 30 June 2021

Principle 7 – Auditors

“The Board should ensure the quality and independence of the external audit process.”

The Audit Committee is responsible for recommending the appointment and removal of external auditors, ensuring their independence and regularly monitoring and reviewing both internal and external audit practices. The Committee closely monitors **thl**'s relationship with the external auditor, including:

- Ensuring the rotation of the external auditor or lead partner and peer review partner at least every five years;
- Obtaining confirmation of the auditor's independence in writing; and
- Monitoring and approving any other services provided by the external auditor to **thl** other than in its audit role, and monitoring total non-audit fees.

The Audit Committee Charter sets out the types of services which the external auditor is prohibited from providing to **thl** in order to ensure that their ability to provide audit services is not impaired and that they remain independent.

**thl**'s current external auditor is PwC New Zealand. PwC was re-appointed by shareholders at the 2020 Annual Meeting. In accordance with **thl**'s Board Charter, PwC New Zealand will attend the 2021 Annual Meeting and be available to answer questions about the conduct of its audit and the preparation and content of its audit report.

Throughout the year, there is ongoing dialogue between the Audit Committee, management and PwC in their role as external auditors. Additionally, PwC regularly attend meetings of the Audit Committee at the invitation of that Committee and have direct engagement with that Committee without management presence, as appropriate.

**thl** has an internal audit function which is based on an annual plan prepared by management, reflecting **thl**'s risk management framework. The Audit Committee receives and reviews reports from the internal audit team, and is responsible for ensuring that recommendations, actions and timelines for internal audits are agreed and undertaken with management.

Principle 8 – Shareholder rights and relations

“The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

Access to information

The Board aims to ensure that shareholders are able to access up-to-date information regarding **thl**'s business and ongoing developments in an easy-to-access format. **thl** makes available on its website a description of each of its businesses, historical interim and annual reports and other shareholder communications, and key corporate governance documents as required by the Code.

Shareholders have the option to receive communications from **thl** electronically by electing to do so with **thl**'s share registrar, Link Market Services. **thl** encourages all shareholders to opt in to receiving electronic communications where practical to reduce waste.

A brief biography of each of **thl**'s Directors and key members of the Executive team is available on **thl**'s website.

Annual Meetings

The Board encourages all shareholders and stakeholders to attend its Annual Meetings. It aims for all Annual Meetings to be attended by all Directors as well as the CEO, the CFO and the Deputy CFO, and to ensure that they are available for questions from shareholders. Notice of the Annual Meeting is communicated to shareholders (including by being posted on **thl**'s website) as soon as possible, with at least 20 working days prior notice being given in accordance with the NZX Corporate Governance Code.

The 2020 Annual Meeting was held as a virtual meeting, with all shareholders being able to live-stream and submit questions online. Where an Annual Meeting is held physically, **thl** also provides the option to live-stream the Annual Meeting for those shareholders that are unable to attend in person. Shareholders attending via the live-stream have the ability to submit questions online. A recording of each Annual Meeting is subsequently made available on the **thl** website.



Corporate governance (continued)

For the year ended 30 June 2021

Board composition

**thl**'s constitution allows no less than three and up to ten Directors. As at 30 June 2021, the Board of Directors comprised six Directors, all of whom are Non-Executive Directors.

DIRECTOR	ROLES	DIRECTOR SINCE	INDEPENDENCE
Rob Campbell	Chair, Chair Market Disclosure Committee, Member Audit Committee, Member Remuneration & Nomination Committee, Member Marketing & Customer Experience Committee, Member Sustainability & Risk Committee	May 2013	Independent Director
Debbie Birch	Chair Marketing & Customer Experience Committee, Member Audit Committee, Member Sustainability & Risk Committee	September 2016	Independent Director
Cathy Quinn	Chair Sustainability & Risk Committee, Member Audit Committee, Member Market Disclosure Committee, Member Marketing & Customer Experience Committee	September 2017	Independent Director
Gráinne Troute	Chair Remuneration & Nomination Committee, Member Audit Committee, Member Marketing & Customer Experience Committee, Member Sustainability & Risk Committee	February 2015	Independent Director
Rob Hamilton	Chair Audit Committee, Member Remuneration & Nomination Committee, Member Market Disclosure Committee	February 2019	Independent Director
Guorong Qian	Member Remuneration & Nomination Committee	July 2019	Non-Independent Director

Table of Board attendance

DIRECTOR	BOARD MEETING	AUDIT COMMITTEE MEETING	REMUNERATION & NOMINATION COMMITTEE MEETING	DISCLOSURE COMMITTEE MEETING	MARKETING & CUSTOMER EXPERIENCE COMMITTEE MEETING	SUSTAINABILITY & RISK COMMITTEE MEETING
Rob Campbell	10	9	5	7	5	6
Debbie Birch	9	8	4	2	4	5
Cathy Quinn	10	9	5	7	5	6
Gráinne Troute	10	9	5	2	5	6
Rob Hamilton	9	9	5	7	5	6
Guorong Qian	9	9	5	2	5	6
Total meetings held	10	9	5	7	5	6

Director and Officer gender composition

As at 30 June 2021, being the balance date, **thl**'s Director and Officer gender composition was as follows:

	2021		2020	
	MALE	FEMALE	MALE	FEMALE
Directors	3 (50%)	3 (50%)	3 (50%)	3 (50%)
Officers*	6 (86%)	1 (14%)	3 (60%)	2 (40%)
Executive team**	6 (75%)	2 (25%)	–	–

\* As per the definition for 'Officers' in the Listing Rules

\*\* The new **thl** Executive team established in September 2020 are the C-suite leaders. Jo Hilson joined **thl** as Chief Technology Officer after 30 June. The current gender composition of the Executive team is six males (67%) and three females (33%)

Corporate governance (continued)

For the year ended 30 June 2021

Directors' remuneration

Directors' remuneration received, or due and receivable during the year ended 30 June 2021 is as follows:

DIRECTORS OF TOURISM HOLDINGS LIMITED	2021				2020			
	BASE DIRECTOR FEE	SUBCOMMITTEE CHAIR FEE	OTHER REMUNERATION	TOTAL	DIRECTOR BASE FEES	SUBCOMMITTEE CHAIR FEES	OTHER REMUNERATION	TOTAL
Rob Campbell	167,708	–	–	167,708	153,125	–	–	153,125
Debbie Birch	83,854	9,583	–	93,438	76,563	5,417	–	81,979
Rob Hamilton	83,854	14,375	–	98,229	76,563	8,125	–	84,688
Guorong Qian	83,854	–	–	83,854	69,271	–	–	69,271
Cathy Quinn	83,854	9,583	–	93,438	76,563	8,750	–	85,313
Gráinne Troute	83,854	9,583	–	93,438	76,563	8,750	–	85,313
Kay Howe <sup>1</sup>	–	–	–	–	29,167	3,333	–	32,500
Graeme Wong <sup>1</sup>	–	–	–	–	29,167	5,000	–	34,167
	586,979	43,125	–	630,105	528,648	31,042	–	626,356

<sup>1</sup> Kay Howe and Graeme Wong retired as directors with effect from 31 October 2019.

Each of Rob Campbell, Debbie Birch and Rob Hamilton were issued, or are to be issued, ordinary shares in **thl** as part of their Director remuneration. Refer to the section titled "Directors' share dealings".

All Directors reduced their Director fees by 50% from April to July 2020 (inclusive) as a responsive measure to COVID-19.

CEO remuneration

Fixed remuneration

In FY21 the CEO, Grant Webster, received fixed remuneration including allowances of \$651,117 (FY20: \$588,417).

The CEO's base salary was voluntarily reduced by 50% from April to July 2020 (inclusive) as a responsive measure to COVID-19.

Short-term incentive

Ordinarily, the annual short-term incentive of the CEO is set at 40% of fixed remuneration and allowances if all performance targets are achieved. In addition, a further incentive of up to 28% (FY20: 28%) of fixed remuneration and allowances is payable for the over-achievement of financial and broader business performance targets.

However for FY21, the Board replaced the normal cash-based short-term incentive scheme with a share-based retention scheme. Consequently, no payment was made to the CEO under the short-term incentive scheme in FY21.

For FY20, no payment was made to the CEO due to the suspension of the short-term performance-based incentive scheme following the impact of COVID-19.

Share-based retention scheme

In relation to FY21, the Board approved a share-based retention scheme, further details of which are noted on page 135.

The CEO was granted 229,054 retention share options valued at \$0.592 each, giving a total value of \$135,600 (2020: \$0). The CEO was also granted 67,800 retention share rights valued at \$2.00 each, giving a total value of \$135,600 (2020: \$0). The terms and vesting criteria for the retention share options and share rights are detailed on page 135.

Long-term incentive

In FY21 the CEO was granted 600,000 share options under the 2017 Long-Term Incentive Scheme valued at \$0.406, giving a total value of \$243,600. In FY20 the CEO was granted 630,000 share options under the 2017 Long-Term Incentive Scheme valued at \$0.385, giving a total value of \$242,550.

Under both the 2017 and 2009 Long-Term Incentive Schemes, the options or redeemable ordinary shares (as applicable) vest from the second anniversary of the issue, with one third vesting after the second year, one third after the third year, and the final third after the fourth year. In FY21, 301,667 share options vested under the 2017 Long-Term Incentive Scheme.

Superannuation

The CEO is a participant in KiwiSaver, and is eligible to receive an employer contribution of 3% of gross taxable earnings. In FY21 this contribution was \$19,534 (FY20: \$21,107).

Corporate governance (continued)

For the year ended 30 June 2021

CEO remuneration (continued)

Total CEO remuneration

The total remuneration of the CEO was as follows:

	FY2021	FY2020
Base salary	\$651,117	\$588,417
Short-term incentive	–	–
Share retention scheme*	\$271,200	–
Long-term incentive	\$243,600	\$242,500
Total	\$1,165,917	\$830,917

\* Consisted of retention share rights and share options issued in July 2020. Vesting was subject to certain requirements as detailed on page 135. 50% of the share rights vested in July 2021 and were converted into ordinary shares

The contracted CEO base remuneration has been \$678,000 since 2018. The CEO has made voluntary reductions in salary in FY19, FY20 and FY21. The base salary reflected in the table above is the actual paid amount.

Related Payment for Tourism Futures Taskforce

During FY21, the CEO was appointed as Co-Chair of the Tourism Futures Taskforce, established by the Ministry of Business, Innovation and Employment (MBIE). **thl** approved the CEO receiving payments directly from MBIE for work undertaken in that capacity. The total received by the CEO from MBIE was \$30,111. **thl** was not involved in the receipt or payment of funds.

Employee remuneration

The number of employees in the Group or former employees (not including Directors) whose remuneration that was paid in the 2021 financial year (including severance pay) was within the specified bands is as follows:

REMUNERATION IN \$000's	NUMBER OF EMPLOYEES
100 – 109	26
110 – 119	23
120 – 129	11
130 – 139	7
140 – 149	11
150 – 159	5
160 – 169	6
170 – 179	3
180 – 189	6
190 – 199	2
200 – 209	4
220 – 229	2
230 – 239	4
240 – 249	3
260 – 269	1
280 – 289	1
290 – 299	1
300 – 309	2
310 – 319	1
370 – 379	2
410 – 419	1
460 – 469	1
470 – 479	1
570 – 579	1
930 – 939	1
1180 – 1189	1
Total	128

Corporate governance (continued)

For the year ended 30 June 2021

Substantial product holders

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act 2013 and records Substantial Product Holder notices received as at 30 June 2021.

	NUMBER OF ORDINARY SHARES IN WHICH A RELEVANT INTEREST WAS HELD	PERCENTAGE %
HB Holdings Limited	26,789,440	18.26%
Accident Compensation Corporation	8,260,434	5.58%
Wilson Asset Management International Pty Limited	7,425,674	5.02%

Spread of shareholders

The ordinary shares of Tourism Holdings Limited are listed on the NZX Main Board.

As at 30 June 2021 the total number of voting securities on issue was 151,489,050.

SIZE OF SHAREHOLDINGS	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF TOTAL ISSUED SHARES
1 - 1,000	1,879	996,381	0.66%
1,001 - 5,000	3,182	8,477,214	5.60%
5,001 - 10,000	1,018	7,377,713	4.87%
10,001 - 50,000	814	16,006,774	10.57%
50,001 - 100,000	71	4,992,104	3.30%
100,001 and over	59	113,638,864	75.01%
	7,023	151,489,050	100.00%

The above shows the spread of shareholders as at 30 June 2021. The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.





Corporate governance (continued)

For the year ended 30 June 2021

General notice of Directors' interests (continued)

Cathy Quinn	<ul style="list-style-type: none"><li>• Fertility Associates Holdings Limited</li><li>• Fletcher Building Industries Limited</li><li>• Fletcher Building Limited</li><li>• Fonterra Co-operative Group Limited</li><li>• MinterEllisonRuddWatts</li><li>• New Zealand Treasury Board – resignation advised in November 2020</li><li>• Rangatira Limited</li><li>• University of Auckland</li></ul>	<ul style="list-style-type: none"><li>• Chair</li><li>• Director</li><li>• Director</li><li>• Director</li><li>• Consultant</li><li>• Member</li></ul>
Gráinne Troute	<ul style="list-style-type: none"><li>• Investore Property Limited</li><li>• Summerset Group Holdings Limited</li><li>• Tourism Industry Aotearoa</li></ul>	<ul style="list-style-type: none"><li>• Director</li><li>• Director</li><li>• Chair</li></ul>
Rob Hamilton	<ul style="list-style-type: none"><li>• Auckland Grammar School</li><li>• SkyCity Entertainment Group Limited – resignation advised February 2021</li><li>• Stelvio Consulting Limited</li><li>• Synlait Milk Limited</li></ul>	<ul style="list-style-type: none"><li>• Trustee</li><li>• Chief Financial Officer</li></ul> <ul style="list-style-type: none"><li>• Director and Shareholder</li><li>• Consultant</li></ul>
Guorong Qian	<ul style="list-style-type: none"><li>• CITIC Capital Holdings Limited</li></ul>	<ul style="list-style-type: none"><li>• Vice Chairman</li></ul>

NZX Waivers

On 27 February 2017 **thl** obtained a waiver from NZXR from Rule 8.1.7 (which ensures that options may not be subsequently amended by an issuer in a manner that is detrimental to the interests of the holders of the underlying Equity Securities). The waiver was granted to the extent that the Rule would otherwise prevent the issue of options under **thl**'s long-term incentive scheme for senior executives, introduced in 2017. The ruling allows for a formula to be used for the exercise price of the options that will result in a fluctuating exercise price.

On 22 May 2019 **thl** obtained a waiver from NZXR from Listing Rule 6.5.2 under the revised NZX Listing Rules. This waiver re-documented the existing waiver received on 27 February 2017 in respect of Rule 8.1.7 under the former NZX Listing Rules. In April 2021, **thl** relied on this waiver in the issuance of new options under its long-term incentive scheme.

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.

Auditor

In accordance with section 207T of the Companies Act 1993, PricewaterhouseCoopers are appointed as the Group's auditors. Auditors' remuneration is detailed in note 4 to the financial statements.

Corporate governance (continued)

For the year ended 30 June 2021

Subsidiary companies

During the financial year ending 30 June 2021, the Directors of **thl**'s subsidiary companies were as follows. No Director of any subsidiary received beneficially any Director's fees or other benefits except as an employee. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under Employee Remuneration on page 140.

THL Motorhomes Limited	Grant Webster
THL Motorhomes UK Limited	Grant Webster and Daniel Schneider
Waitomo Caves Limited	Grant Webster
Waitomo Caves Holdings Limited	Grant Webster
GeoZone Limited	Grant Webster
THL Corporate Trustee Limited	Rob Campbell
Road Bear NZ Limited	Grant Webster
TH2connect GP Limited	Grant Webster, Nick Judd (appointed September 2020) and Jennifer Bunbury (ceased September 2020)
Action Manufacturing Group GP Limited	Grant Webster, Nick Judd (appointed January 2021), Grant Brady, Chris Devoy, Ralph Marshall
Maui Rentals Pty Limited	Grant Webster and Catherine Meldrum
The Green Bus Company Pty Limited	Grant Webster and Catherine Meldrum
THL Oz Pty Limited	Grant Webster and Catherine Meldrum
Tourism Holdings Rental Vehicles Pty Limited	Grant Webster and Catherine Meldrum
World Travel Headquarters Pty Limited	Grant Webster and Catherine Meldrum
Tourism Holdings Australia Pty Limited	Grant Webster, Catherine Meldrum and Rob Campbell
THL Group (Australia) Pty Limited	Grant Webster and Catherine Meldrum
El Monte Rents Inc	Grant Webster
JJ Motorcars Inc	Grant Webster
Tourism Holdings USA Inc	Grant Webster
Outdoria Pty Limited	Grant Webster, Gerard Ryan



Board of Directors

Rob Campbell (Auckland) Chair

Independent Director appointed in May 2013. Rob Chairs the **thl** Board (appointed August 2013) and the Market Disclosure Committee (appointed April 2014), and serves on all of **thl**'s Board sub-Committees. Rob has over 30 years' experience in investment management and corporate governance. Rob is currently Chair of SkyCity Entertainment Group Limited, New Zealand Rural Land Co., Ultrafast Fibre Limited and WEL Networks, and is a Director of Precinct Properties. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Debbie Birch (Wellington)

Independent Director appointed in September 2016. Debbie Chairs the Marketing & Customer Experience Committee (appointed November 2019) and serves on the Audit Committee and Sustainability & Risk Committee. Debbie has held various Director and trustee positions for the last 10 years and is currently Chair of Taupō Moana Investments Limited and Raukawa ki te Tonga AHC Limited. Debbie is a Board member of White Island Tours Limited, Ngāti Awa Group Holdings Limited, Te Pūia Tāpapa GP Limited, a Trustee of Wellington Free Ambulance and a Member of Treasury's Capital Markets Advisory Committee and Te Puna Whakaaronui Thought Leaders Group. Debbie has significant financial, commercial and strategic experience gained in Asia, Australia and New Zealand with more than 30 years' working in global capital markets.

Rob Hamilton (Auckland)

Independent Director appointed in February 2019. Rob Chairs the Audit Committee (appointed November 2019) and serves on the Remuneration & Nomination Committee and Market Disclosure Committee. Previous roles held by Rob include Chief Financial Officer at SkyCity Entertainment Group Limited, which included oversight of SkyCity's International Business division and ICT function. Rob has also previously served as a Managing Director and the Head of Investment Banking at Jarden (formerly First NZ Capital). Rob is a respected member of the finance community, with more than 30 years' experience in senior finance roles. Rob is also a Board of Trustees member for Auckland Grammar School and has previously been a Board member on the New Zealand Olympic Committee.

Guorong Qian (China)

Non-Independent Director appointed in July 2019. Guorong serves on the Remuneration & Nomination Committee. Guorong is currently Vice Chair of CITIC Capital Holdings Limited, a global investment management and advisory firm which employs over 320 staff through seven offices in China, Japan and the United States. Guorong has been with CITIC Capital in various roles since its founding. He previously worked in various brokerage, asset management and investment roles.

Cathy Quinn (Auckland)

Independent Director appointed in September 2017. Cathy Chairs the Sustainability & Risk Committee (appointed May 2019) and serves on the Audit Committee, Marketing & Customer Experience Committee and Market Disclosure Committee. Cathy is a former senior corporate partner at MinterEllisonRuddWatts. She served as the firm's Chair for eight years and was also a member of the Australasian MinterEllison Legal Group Executive Board for the period she Chaired the firm. Cathy is a Director of Fletcher Building Limited, Fonterra Co-operative Group Limited, Rangatira Limited and is Chair of Fertility Associates. Cathy is also Pro-Chancellor of the University of Auckland. Cathy is a former member of the NZ Securities Commission and Capital Markets Development Taskforce, and was made an Officer of the NZ Order of Merit in 2016 for services to law and women.

Gráinne Troute (Auckland)

Independent Director appointed in February 2015. Gráinne Chairs the Remuneration & Nomination Committee (appointed February 2015) and serves on the Audit Committee, Sustainability & Risk Committee and Marketing & Customer Experience Committee. Gráinne is a Chartered Member of the Institute of Directors and is also a Director of Summerset Group Holdings Limited and Investore Property, and is Chair of Tourism Industry Aotearoa. Gráinne is a professional Director with many years' experience in senior executive roles. Gráinne was General Manager, Corporate Services at SkyCity Entertainment Group and Managing Director of McDonald's Restaurants (NZ). Gráinne also held senior management roles with Coopers and Lybrand (now PwC) and HR Consultancy Right Management. She has also spent many years as a Trustee and Chair in the not-for-profit sector, including having been the Chair of Ronald McDonald House Charities New Zealand for five years.

Corporate information

Directors

Rob Campbell – Chair  
Debbie Birch  
Rob Hamilton  
Guorong Qian  
Cathy Quinn  
Gráinne Troute

Executive Team

Grant Webster – Chief Executive Officer  
Nick Judd – Chief Financial Officer  
Gordon Hewston – Chief Operating Officer (Northern Hemisphere)  
Kate Meldrum – Chief Operating Officer (Australia)  
Matthew Harvey – Chief Operating Officer (New Zealand)  
Ollie Farnsworth – Chief Commercial and Customer Officer  
Juhi Shareef – Chief Responsibility Officer  
Jo Hilson – Chief Technology Officer  
Steven Hall – Deputy Chief Financial Officer

Registered office

Level 1  
83 Beach Road  
Auckland 1010  
New Zealand

Share register

Tourism Holdings Limited shares are listed on the New Zealand Stock Exchange (NZX)

Share registrar

Link Market Services Limited  
PO Box 91976  
Auckland  
Tel: +64 9 375 5998  
Email: enquiries@linkmarketservices.co.nz

Auditors

PwC  
Auckland, New Zealand

Solicitors

MinterEllisonRuddWatts  
Auckland, New Zealand

Investor relations enquiries

Amir Ansari  
Email: investor.relations@thlonline.com



Notes

