UNFORGETTABLE EXPERIENCES. SUSTAINING SUCCESS.

Tourism Holdings Limited
Annual Financial Statements
Financial Year 2016

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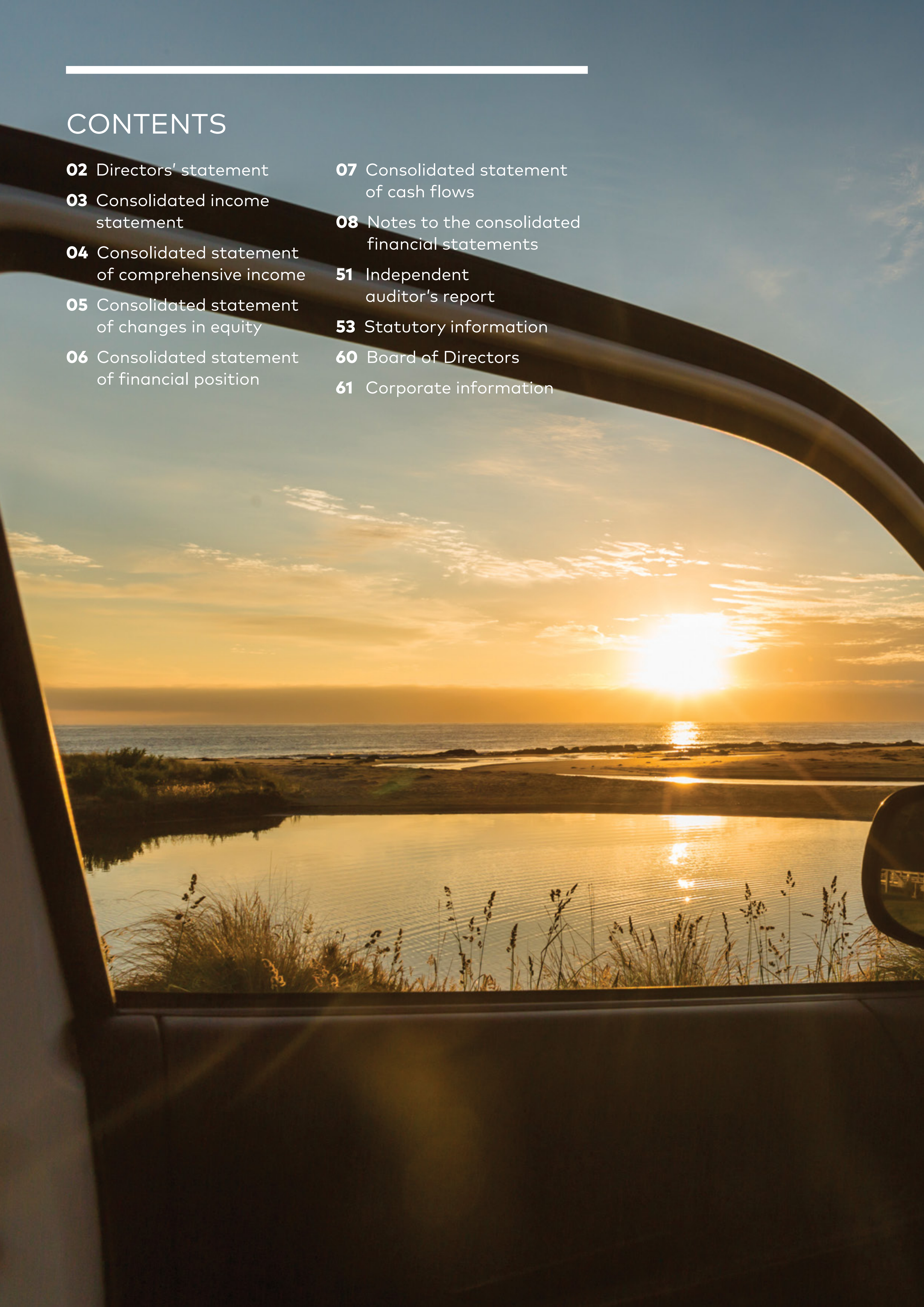

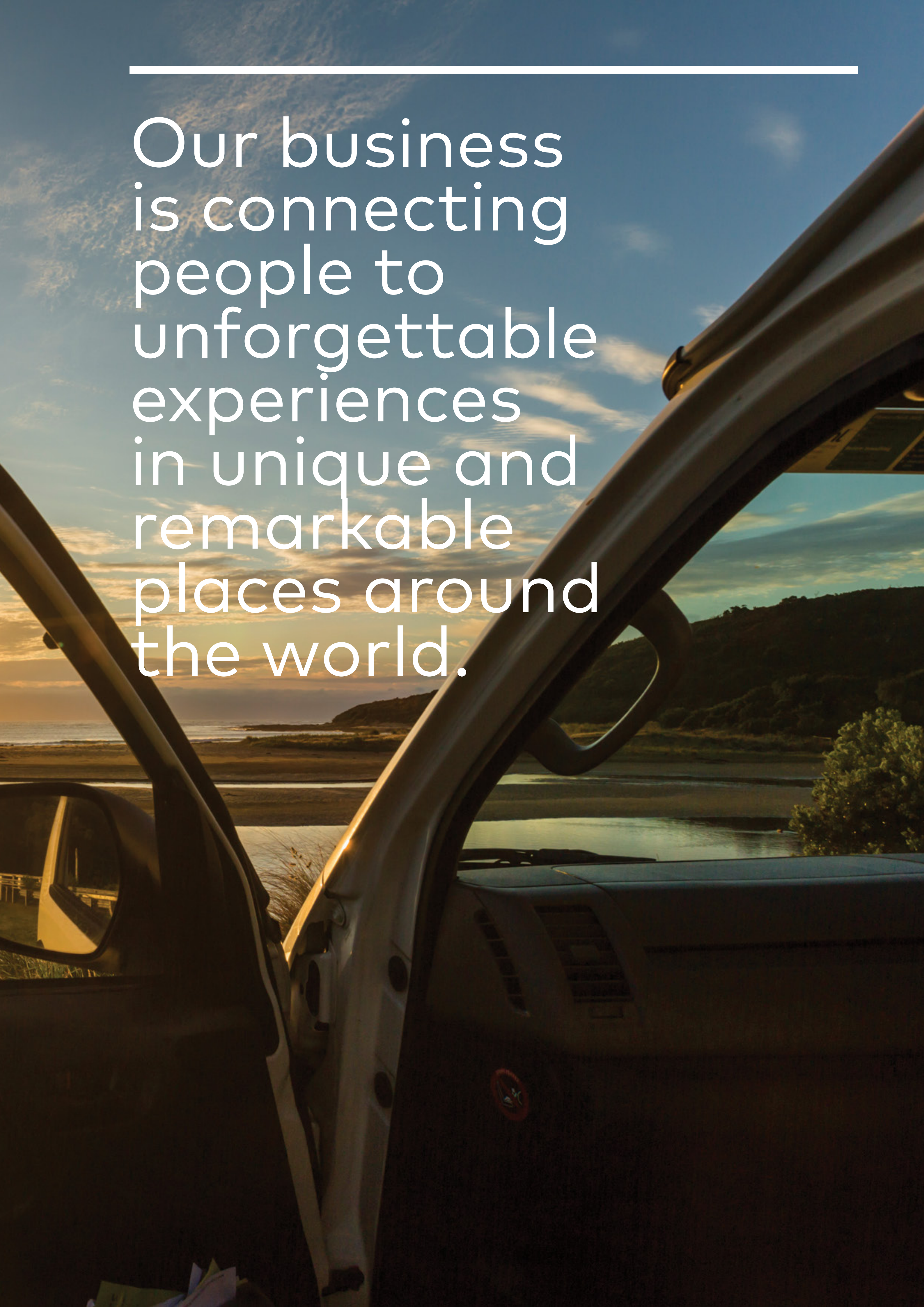

Our business is connecting people to unforgettable experiences in unique and remarkable places around the world.

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 2016.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2016 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, in conjunction with the Shareholder Annual Review, constitutes the 2016 Annual Report to Shareholders of Tourism Holdings Limited.

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

Rob Campbell
Chairman

Graeme Wong
Director

22 August 2016

Consolidated income statement

For the year ended 30 June 2016

	NOTES	2016 $000's	2015 $000's
Sales of services		188,757	166,826
Sales of goods	2	90,176	69,770
Total revenue		278,933	236,596
Cost of sales	2	(79,241)	(60,287)
Gross profit		199,692	176,309
Administration expenses	4	(33,931)	(27,227)
Operating expenses	4	(127,071)	(117,403)
Other income/(expenses), net	3	27	668
Operating profit before financing costs		38,717	32,347
Finance income		349	736
Finance expenses	6	(4,567)	(5,182)
Net finance costs		(4,218)	(4,446)
Share of profit/(loss) from associates	19	281	(9)
Share of profit from joint venture	16	1,689	1,957
Profit before tax		36,469	29,849
Income tax expense	7	(12,093)	(9,750)
Profit for the year		24,376	20,099

Earnings per share from profit for the year attributable to the equity holders of the company			
Basic earnings per share (in cents)	8	21.4	17.9
Diluted earnings per share (in cents)	8	20.5	17.0

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 2016

	NOTES	2016 $000's	2015 $000's
Profit for the year		24,376	20,099
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation movement	22	(5,396)	6,958
Cash flow hedge reserve movement net of tax	31	(2,630)	(902)
Other comprehensive income/(loss) for year net of tax		(8,026)	6,056
Total comprehensive income for year attributable to equity holders of the company		16,350	26,155

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 2016

	NOTES	SHARE CAPITAL $000's	RETAINED EARNINGS $000's	CASH FLOW HEDGE RESERVE $000's	OTHER RESERVES $000's	TOTAL EQUITY $000's
Opening balance as at 1 July 2015		153,492	15,001	(1,593)	5,623	172,523
Comprehensive income						
Net profit for the year ended 30 June 2016	21	–	24,376	–	–	24,376
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	31	–	–	(2,630)	–	(2,630)
Foreign currency translation reserve	22	–	–	–	(5,396)	(5,396)
Total comprehensive income		–	24,376	(2,630)	(5,396)	16,350
Transactions with owners						
Dividends on ordinary shares	9	–	(19,439)	–	–	(19,439)
Issue of ordinary shares	20	2,502	–	–	–	2,502
Transfer from employee share scheme reserve	22	332	8	–	(340)	–
Employee share scheme reserve	22	–	–	–	187	187
Total transactions with owners		2,834	(19,431)	–	(153)	(16,750)
Closing balance as at 30 June 2016		156,326	19,946	(4,223)	74	172,123

For the year ended 30 June 2015

	NOTES	SHARE CAPITAL $000's	RETAINED EARNINGS $000's	CASH FLOW HEDGE RESERVE $000's	OTHER RESERVES $000's	TOTAL EQUITY $000's
Opening balance as at 1 July 2014		152,399	9,504	(691)	(1,316)	159,896
Comprehensive income						
Net profit for the year ended 30 June 2015	21	–	20,099	–	–	20,099
Other comprehensive income						
Cash flow hedge reserve movement (net of tax)	31	–	–	(902)	–	(902)
Foreign currency translation reserve	22	–	–	–	6,958	6,958
Total comprehensive income		–	20,099	(902)	6,958	26,155
Transactions with owners						
Dividends on ordinary shares	9	–	(14,655)	–	–	(14,655)
Issue of ordinary shares	20	980	–	–	–	980
Transfer from employee share scheme reserve	22	113	53	–	(166)	–
Employee share scheme reserve	22	–	–	–	147	147
Total transactions with owners		1,093	(14,602)	–	(19)	(13,528)
Closing balance as at 30 June 2015		153,492	15,001	(1,593)	5,623	172,523

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 2016

	NOTES	2016 $000's	2015 $000's
Assets			
Non-current assets			
Property, plant and equipment	11	253,483	244,412
Intangible assets	15	21,087	20,753
Loan receivable	32	–	1,553
Derivative financial instruments	30	–	297
Advance to and investment in joint venture	16	2,524	2,936
Investment in associates	19	3,445	4,276
Total non-current assets		280,539	274,227
Current assets			
Cash and cash equivalents		3,020	6,526
Trade and other receivables	26	25,943	17,820
Inventories	14	21,752	15,996
Advance to joint venture	16	1,084	2,500
Taxation receivable		1,497	1,087
Derivative financial instruments	30	–	125
Total current assets		53,296	44,054
Total assets		333,835	318,281
Equity			
Share capital	20	156,326	153,492
Other reserves	22	74	5,623
Cash flow hedge reserve	31	(4,223)	(1,593)
Retained earnings	21	19,946	15,001
Total equity		172,123	172,523
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	23	81,650	71,884
Derivative financial instruments	30	5,194	2,545
Deferred income tax liability	35	10,437	9,557
Total non-current liabilities		97,281	83,986
Current liabilities			
Interest bearing loans and borrowings	23	375	3,879
Trade and other payables	27	36,259	34,830
Revenue in advance		18,759	15,642
Employee benefits		6,222	5,444
Derivative financial instruments	30	665	89
Current tax liabilities		2,151	1,888
Total current liabilities		64,431	61,772
Total liabilities		161,712	145,758
Total equity and liabilities		333,835	318,281

For and on behalf of the Board who authorised the issue of the Financial Report on 22 August 2016.

R J Campbell
Chairman of the Board

G Wong
Chairman of the Audit and Risk Committee

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 2016

	NOTES	2016 $000's	2015 $000's
Cash flows from operating activities			
Receipts from customers		188,792	168,699
Proceeds from sale of goods		90,176	69,770
Interest received		349	736
Payments to suppliers and employees		(148,194)	(122,847)
Purchase of rental assets		(104,588)	(82,202)
Interest paid		(4,567)	(5,282)
Taxation paid		(9,449)	(4,695)
Net cash flows from operating activities	34	12,519	24,179
Cash flows from investing activities			
Sale of property, plant and equipment	11	7	5,674
Purchase of property, plant and equipment	11	(10,605)	(3,031)
Receipts from repayment of advance given to joint venture	16	3,517	4,033
Purchase of intangibles		(1,251)	(338)
Repayment of loan receivable	32	1,553	–
Investments in associates		(70)	(3,722)
Net cash paid to acquire Geozone	17	(489)	–
Net cash (used in)/from investing activities		(7,338)	2,616
Cash flows from financing activities			
Proceeds from/(repayment of) borrowings	23	8,812	(10,440)
Dividends paid	9	(19,439)	(14,655)
Proceeds from share issue	20	2,209	756
Net cash flows used in financing activities		(8,418)	(24,339)
Net (decrease)/increase in cash balances		(3,237)	2,456
Opening cash		6,526	3,479
Foreign currency translation adjustment		(269)	591
Closing cash		3,020	6,526

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

Index to Notes to the Consolidated Financial Statements

About this report

Basis of preparation

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

The consolidated financial statements of the Group have been prepared:

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

As at 30 June 2016 and 2015, and throughout most months during the financial year, the Group has net current liabilities. This arises mainly from the revenue in advance liability that reflects the collection of rental income from customers prior to the month of travel. This liability is recognised as revenue in future months, and does not represent a future outward cashflow.

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

Key:

= Critical accounting estimate

= Accounting policy

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the following notes:

- Note 7 – Income tax expense page 16
- Note 11 – Property, plant and equipment page 19
- Note 15 – Intangible assets page 23

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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Information on the Group's subsidiaries can be found in note 18.

b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand, which is the Company's functional and presentation currency.

Translation into presentation currency

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

About this report (continued)

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

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

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

Transactions and balances in the functional currency

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

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 made up of the following business operations:

- New Zealand Rentals – Rental of Maui, Britz and Mighty motorhomes, and the sale of motorhomes sold under the RV Super Centre retail brand
- Tourism Group – Kiwi Experience and the Waitomo Caves Group experiences
- Australia Rentals – Rental of Maui, Britz and Mighty motorhomes and 4WD vehicles, and the sale of motorhomes sold under the RV Sales Centre retail brand
- United States Rentals – Rental and sale of Road Bear and Britz RVs
- Other – includes Group Support Services, Mighway and Geozone

Revenue recognition

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

(i) Sale of services

Sale of services includes revenue from the rental of motorhomes (for the rentals operating segments) and the sale of tourism experiences (for Kiwi Experience and Waitomo).

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction. Where the sale of services covers a period of more than one day the sale is assessed based on the number of days of the booking that have occurred by year end as a proportion of the total number of days in the booking. The portion of the revenue that occurs after year end is shown as Revenue in Advance on the statement of financial position.

(ii) Sale of goods

Sale of goods includes revenue from the sale of motorhomes, accessories and retail merchandise (for the rentals operating segments).

Sales of goods are recognised when a Group entity sells a product to the customer. Sales of motorhomes are recognised when the transfer of risks and rewards takes place and are invoiced at that time. Sales of goods includes sale of rental assets, trade-ins, new vehicles and accessories.

1. Segment note (continued)

2016	NEW ZEALAND RENTALS $000's	NEW ZEALAND TOURISM GROUP $000's	AUSTRALIA RENTALS $000's	UNITED STATES RENTALS $000's	OTHER $000's	TOTAL $000's
Sales of services	68,356	36,303	55,946	27,871	281	188,757
Sales of goods	35,470	–	12,410	42,296	–	90,176
Revenue from external customers	103,826	36,303	68,356	70,167	281	278,933
Depreciation	(13,681)	(1,380)	(12,738)	(5,318)	(136)	(33,253)
Amortisation	(163)	(640)	(59)	–	(767)	(1,629)
Other costs	(74,578)	(24,316)	(48,789)	(52,402)	(5,249)	(205,334)
Operating profit/(loss) before interest and tax	15,404	9,967	6,770	12,447	(5,871)	38,717
Interest income	–	–	21	–	328	349
Interest expense	–	–	(603)	(549)	(3,415)	(4,567)
Share of profit from joint venture and associates	–	–	–	–	1,970	1,970
Operating profit/(loss) before tax	15,404	9,967	6,188	11,898	(6,988)	36,469
Taxation	(4,316)	(2,924)	(1,858)	(4,884)	1,889	(12,093)
Operating profit/(loss) – after interest and tax	11,088	7,043	4,330	7,014	(5,099)	24,376
Capital expenditure	42,933	4,417	23,574	47,673	534	119,131
Non-current assets	130,891	28,108	63,751	48,516	6,749	278,015
Advance to and investment in joint venture (non-current portion)	–	–	–	–	2,524	2,524
Total non-current assets	130,891	28,108	63,751	48,516	9,273	280,539
Total assets	152,389	30,902	79,649	59,226	11,669	333,835
Net funds employed	116,313	27,575	53,603	48,056	5,581	251,128

1. Segment note (continued)

2015	NEW ZEALAND RENTALS $000's	NEW ZEALAND TOURISM GROUP $000's	AUSTRALIA RENTALS $000's	UNITED STATES RENTALS $000's	OTHER $000's	TOTAL $000's
Sales of services	60,786	29,936	55,011	21,093	–	166,826
Sales of goods	29,156	–	11,059	29,555	–	69,770
Revenue from external customers	89,942	29,936	66,070	50,648	–	236,596
Depreciation	(12,795)	(1,211)	(13,114)	(4,011)	(500)	(31,631)
Amortisation	(198)	(635)	(35)	–	(715)	(1,583)
Other costs	(62,971)	(20,425)	(46,816)	(37,739)	(3,084)	(171,035)
Operating profit/(loss) before interest and tax	13,978	7,665	6,105	8,898	(4,299)	32,347
Interest income	–	–	23	–	713	736
Interest expense	(82)	–	(1,244)	(457)	(3,399)	(5,182)
Share of profit from joint venture and associates	–	–	–	–	1,948	1,948
Operating profit/(loss) before tax	13,896	7,665	4,884	8,441	(5,037)	29,849
Taxation	(3,710)	(2,410)	(1,467)	(2,908)	745	(9,750)
Operating profit/(loss) – after interest and tax	10,186	5,255	3,417	5,533	(4,292)	20,099
Capital expenditure	33,986	502	21,613	35,168	844	92,113
Non-current assets	127,915	25,636	66,947	44,357	6,436	271,291
Advance to and investment in joint venture (non-current portion)	–	–	–	–	2,936	2,936
Total non-current assets	127,915	25,636	66,947	44,357	9,372	274,227
Total assets	142,783	28,226	79,744	53,600	13,928	318,281
Net funds employed	109,373	22,142	52,412	44,155	13,675	241,757

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.

Interest income and expenditure are not included in the result for each operating segment that is reviewed by the CODM.

Inter-segment transactions 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 consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude investments and derivatives designated as hedges of borrowings as they are not allocated to segments. Net funds employed are total assets less segment non interest bearing liabilities and cash on hand.

2. Sales of goods

- Cost of goods includes the net book value of ex-rental fleet sold and the cost price of new vehicles, trade-ins and retail goods sold
- Vehicle selling expenses consists of repairs, refurbishments and warranty costs

	2016 $000's	2015 $000's
Sales of goods	90,176	69,770
Cost of goods	(73,647)	(57,031)
Vehicle selling expenses	(5,594)	(3,256)
Cost of sales	(79,241)	(60,287)
Gain on sale	10,935	9,483

3. Other operating income/(expenses)

	2016 $000's	2015 $000's
Net loss on disposal of non-fleet fixed assets	(86)	(1,441)
Deferred consideration settlement	–	1,744
Fair value gain of equity accounted interest in Geozone Limited	104	–
Rental income	9	365
Other operating income	27	668

In the year ended 30 June 2016 the remaining shareholding of Geozone Limited was purchased by the Group. The fair value gain recognised on the Group's equity accounted interest in Geozone Limited was $104k (refer to note 17).

In the year ended 30 June 2015 the property at 32 Kaimiro St, Hamilton was sold. The loss on sale of the property was $1,472k.

In the year ended 30 June 2015 an agreement was reached in relation to the Alpine Bird deferred consideration. The outstanding balance of principal and interest totalled $1,744k.

4. Profit before tax includes the following specific expenses

	NOTES	2016 $000's	2015 $000's
Internal audit fees – Ernst & Young		68	166
Donations		11	8
Depreciation	11	33,253	31,631
Amortisation of intangible assets	15	1,629	1,583
Rental and operating lease costs		7,285	5,935
Raw material and consumables		810	1,207
Repairs and maintenance including damage repairs		13,722	14,258
Audit fees – PricewaterhouseCoopers			
Audit of financial statements		260	242
Other fees – PricewaterhouseCoopers			
Treasury services[i]		22	29
Debt refinancing[ii]		49	–
Agreed upon procedures[iii]		8	10
Other services[iv]		49	50
Total fees paid to PricewaterhouseCoopers		388	331

Notes on fees paid to auditor:

i. Treasury services includes treasury risk management advice.

ii. Debt refinancing includes assistance with the annual facility renewal process.

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

iv. Other services include accounting advice and controls assessment.

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	2016 $000's	2015 $000's
Wages and salaries		51,323	44,405
Share-based payment costs	33	187	147
Other employee benefits		1,902	1,624
Total employee remuneration		53,412	46,176

6. Finance expenses

	2016 $000's	2015 $000's
Interest on bank borrowings	4,438	4,926
Interest on finance leases	67	245
Other loans	62	11
Total interest expense	4,567	5,182

7. Income tax expense

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.

Current and deferred income tax

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 recovered in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

7. Income tax expense (continued)

	NOTES	2016 $000's	2015 $000's
Current tax		10,288	6,091
Deferred tax	35	1,805	3,659
Income tax expense		12,093	9,750

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:

	2016 $000's	2015 $000's
Profit before tax	36,469	29,849
Tax calculated at domestic rates applicable to profits in the respective countries	11,763	9,455
Non-assessable income – other	–	(38)
Expenses not deductible for tax purposes	251	853
Prior year tax adjustment	79	(520)
Income tax expense	12,093	9,750

The weighted average applicable tax rate was 33% (2015: 33%).

8. Earnings per share

	2016 $000's	2015 $000's
Profit attributable to the equity holders of the Parent	24,376	20,099
Weighted average number of ordinary shares on issue	114,081	112,469
Basic earnings per share (in cents)	21.4	17.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from the employee share scheme (refer to note 33).

	2016 $000's	2015 $000's
Weighted average number of ordinary shares on issue	114,081	112,469
Redeemable shares if exercised	4,763	5,730
Total shares	118,844	118,199
Diluted earnings per share (in cents)	20.5	17.0

9. Dividends

The final and interim dividends paid in the year ended 30 June 2016 were $9,112k (8 cents per share) and $10,327k (9 cents per share) respectively. The final and interim dividends paid in the year ended 30 June 2015 were $6,745k (6 cents per share) and $7,910k (7 cents per share) respectively.

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.

10. Imputation credits

	2016 $000's	2015 $000's
The amount of imputation credits available for use in subsequent reporting periods	2,688	300

The above amounts represent the balance of the imputation credit account as at the end of the reporting period adjusted for:

- Imputation credits that will arise from the payment of the amount of the provision for income tax;
- Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Section B – Assets used to generate profit

In this section

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

- **Property, plant and equipment**

  The most significant component is the motorhome fleet. Premises in general are leased, however significant owned properties are the Waitomo Caves Visitor Centre, the Waitomo Caves Homestead and the Orlando branch in the United States.

- **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, Kiwi Experience, and Geozone businesses;

  – the cost of the Waitomo Caves licences; and

  – software.

11. 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 and Orlando;
- 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 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.

The Group estimates the residual values of the fleet in order to depreciate motorhome assets using the straight-line method. The Group has considered the appropriateness of the residual values that have been used by reviewing the gains/losses made on recent sales of similar motorhomes. The estimated useful lives of motorhomes on the rental fleet are 1–6 years.

11. Property, plant and equipment (continued)

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

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

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

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

	MOTORHOMES $000's	MOTOR VEHICLES $000's	LAND AND BUILDINGS $000's	OTHER PLANT & EQUIPMENT $000's	CAPITAL WORK IN PROGRESS $000's	TOTAL $000's
Year ended 30 June 2016						
At 1 July 2015	217,156	386	13,743	3,758	18,786	253,829
Additions and transfers from work in progress	105,294	427	3,725	5,825	3,860	119,131
Disposals	(64,642)	(2)	(66)	(26)	–	(64,736)
Exchange differences	(9,444)	(5)	(139)	(181)	–	(9,769)
Depreciation charge	(30,136)	(148)	(1,270)	(1,699)	–	(33,253)
Closing net book amount	218,228	658	15,993	7,677	22,646	265,202
As at 30 June 2016						
Cost	297,276	1,215	26,576	17,284	22,646	364,997
Accumulated depreciation	(79,048)	(557)	(10,583)	(9,607)	–	(99,795)
Net book amount	218,228	658	15,993	7,677	22,646	265,202
Reclassification of motorhomes to inventory at balance date						
Cost	18,727	–	–	–	–	18,727
Accumulated depreciation	(7,008)	–	–	–	–	(7,008)
Net book amount	11,719	–	–	–	–	11,719
Closing net book amount post reclassification	206,509	658	15,993	7,677	22,646	253,483

11. Property, plant and equipment (continued)

	MOTORHOMES $000's	MOTOR VEHICLES $000's	LAND AND BUILDINGS $000's	OTHER PLANT & EQUIPMENT $000's	CAPITAL WORK IN PROGRESS $000's	TOTAL $000's
Year ended 30 June 2015						
At 1 July 2014	202,061	391	21,436	3,124	14,258	241,270
Additions and transfers from work in progress	85,180	145	273	1,987	4,528	92,113
Disposals	(51,279)	(55)	(6,647)	(226)	–	(58,207)
Exchange differences	9,915	44	281	44	–	10,284
Depreciation charge	(28,721)	(139)	(1,600)	(1,171)	–	(31,631)
Closing net book amount	217,156	386	13,743	3,758	18,786	253,829
As at 30 June 2015						
Cost	298,646	831	25,677	12,323	18,786	356,263
Accumulated depreciation	(81,490)	(445)	(11,934)	(8,565)	–	(102,434)
Net book amount	217,156	386	13,743	3,758	18,786	253,829
Reclassification of motorhomes to inventory at balance date						
Cost	17,022	–	–	–	–	17,022
Accumulated depreciation	(7,605)	–	–	–	–	(7,605)
Net book amount	9,417	–	–	–	–	9,417
Closing net book amount post reclassification	207,739	386	13,743	3,758	18,786	244,412

12. Capital commitments

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

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

	2016 $000's	2015 $000's
Property, plant and equipment	44,121	30,531

13. 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:

	2016 $000's	2015 $000's
Within one year	5,995	6,499
One to five years	19,263	18,515
Beyond five years	10,435	16,865
	35,693	41,879

In the current year a new lease was entered into for the Sydney branch of the Australian Rentals business.

14. Inventories

Inventories are made up of the following categories:

- Raw materials – this comprises parts, factory and workshop stock;
- Rental assets 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
- Provision for obsolescence – 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.

	2016 $000's	2015 $000's
Raw materials	2,906	1,991
Rental assets for sale	15,813	11,777
Finished goods	3,106	2,476
Provision for obsolescence	(73)	(248)
	21,752	15,996

15. Intangible assets

Intangible assets of the Group comprise:

- Brands – the brand value acquired relates to the Road Bear brand of the United States rentals business;
- Goodwill – this relates to the Kiwi Experience, Road Bear and Geozone business combinations;
- Trademarks, leases and licences – ***thl*** 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 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 units. 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 are 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. The Group allocates goodwill to each business segment in each country in which it operates.

Trademarks, leases and licences

Trademarks, leases and licences are shown at historical cost of acquisition by the Group less amortisation.

Amortisation of licences is calculated using the straight line method over the life of the various licences.

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

15. Intangible assets (continued)

	BRAND VALUE ACQUIRED $000's	GOODWILL $000's	TRADEMARKS, LEASES AND LICENSES $000's	OTHER INTANGIBLES $000's	TOTAL $000's
Year ended 30 June 2016					
At 1 July 2015	806	8,841	9,782	1,324	20,753
Exchange differences	(39)	(278)	–	(9)	(326)
Additions from subsequent expenditure	–	–	24	1,231	1,255
Acquired through business combinations	–	434	–	600	1,034
Amortisation charge	–	–	(592)	(1,037)	(1,629)
Closing net book amount	767	8,997	9,214	2,109	21,087
As at 30 June 2016					
Cost	767	55,295	22,768	13,568	92,398
Accumulated amortisation and impairment	–	(46,298)	(13,554)	(11,459)	(71,311)
Net book amount	767	8,997	9,214	2,109	21,087
Year ended 30 June 2015					
At 1 July 2014	628	7,815	10,374	1,973	20,790
Exchange differences	178	1,026	–	2	1,206
Additions from subsequent expenditure	–	–	–	340	340
Amortisation charge	–	–	(592)	(991)	(1,583)
Closing net book amount	806	8,841	9,782	1,324	20,753
As at 30 June 2015					
Cost	806	55,139	22,744	13,258	91,947
Accumulated amortisation and impairment	–	(46,298)	(12,962)	(11,934)	(71,194)
Net book amount	806	8,841	9,782	1,324	20,753

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 amounts of cash-generating units have been determined based on value-in-use calculations below. These calculations require the use of estimates.

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).

15. Intangible assets (continued)

The table below details the cash generating units that goodwill and brands is attributable to.

	RENTALS $000's	TOURISM GROUP $000's	OTHER $000's	TOTAL $000's
2016				
New Zealand – goodwill	–	3,126	434	3,560
United States of America – goodwill	5,437	–	–	5,437
United States of America – brands	767	–	–	767
	6,204	3,126	434	9,764
2015				
New Zealand – goodwill	–	3,126	–	3,126
United States of America – goodwill	5,715	–	–	5,715
United States of America – brands	806	–	–	806
	6,521	3,126	–	9,647

The recoverable amount of a cash generating unit is determined on value-in-use calculations. These calculations use free cash flow projections based on financial budgets approved by management covering a five year period plus a terminal value calculation. These annual free cash flows are then discounted by a country specific pre-tax discount rate to arrive at a net present value (or enterprise value) which is compared to the carrying book value. In addition, carrying values are also assessed using alternative valuation metrics, in particular EBIT multiples for similar industry groupings.

The divisional models used by Tourism Holdings Limited to generate the free cash flow projections incorporate the expected growth rates from markets the businesses operate in which are compared to Ministry of Business, Innovation and Employment (NZ) and United States Department of Commerce Office of Travel and Tourism Industries forecasts for reasonableness. Capital expenditure and disposal proceeds are projected forward based on current build or purchase costs, realisable sale values and expected fleet rotation by vehicle type (for the rentals operations). Costs and revenues are inflated by an expected inflation rate of 2% unless additional specific information is known.

Key assumptions used for value-in-use calculations:

	2016	2015
Rentals United States of America		
Revenue growth rate[1]	5% p.a.	7% p.a.
Operating costs growth rate	5% p.a.	6% p.a.
Terminal growth rate	2.0%	2.0%
Discount rate[2]	14.9%	15.2%

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

	2016	2015
Tourism Group New Zealand		
Revenue growth rate[1]	5% p.a.	5% p.a.
Operating costs growth rate	6% p.a.	6% p.a.
Terminal growth rate	2.0%	2.0%
Discount rate[2]	14.0%	14.6%

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

The calculated recoverable amount provides sufficient headroom over the carrying value such that it is considered that a reasonable change in the assumptions applied will not result in an impairment of the goodwill balance.

Section C – Investments

In this section

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

a) Accounting policies, judgements and estimates that are relevant for measuring the investments; and

b) Analysis of ***thl*** associates and joint venture.

thl's investments include a 50% interest in Action Manufacturing, a business that manufactures motorhomes for the Group's New Zealand and Australian business segments and other speciality vehicles for external customers. Other investments include a 49% interest in Just Go, a motorhome rental operation in the United Kingdom.

16. Joint venture – Action Manufacturing LP (AMLP)

thl has a 50% joint venture partner in AMLP, a vehicle manufacturer based in New Zealand. The other 50% partner is Alpine Bird Manufacturing Limited, which is owned by Grant Brady (refer to note 32). Due to the nature of the contractual rights and obligations, AMLP is classified as a joint venture for accounting purposes and accounted for using the equity method.

AMLP manufactures motorhomes for the Group's New Zealand and Australian business segments, and other speciality vehicles for external customers.

Analysis of AMLP

The following amounts represent the sales and results, and assets and liabilities of AMLP:

	2016 $000's	2015 $000's
Revenue	57,620	52,456
Expenses	(54,241)	(48,542)
Profit before income tax	3,379	3,914

The profit before income tax of AMLP includes depreciation expense of $731k (2015: $747k) and net finance costs of $914k (2015: $1,236k).

	2016 $000's	2015 $000's
Assets		
Non-current assets	1,917	2,026
Current assets	27,854	25,946
	29,771	27,972
Liabilities		
Non-current liabilities including limited partner advances	4,793	9,986
Current liabilities	21,776	18,662
	26,569	28,648
Net assets/(liabilities)	3,202	(676)
The Group's 50% share of AMLP's net assets/(liabilities)	1,601	(338)

There are no contingent liabilities relating to the Group's interest in AMLP, and no contingent liabilities in the venture itself. The contractual property lease commitment of AMLP is $2,396k (2015: $3,236k).

16. Joint venture – Action Manufacturing LP (AMLP) (continued)

The Group's recognised interest in AMLP

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

	2016 $000's	2015 $000's
Investment in AMLP	250	250
Profit/(losses) recognised against the investment balance	1,351	(250)
Investment recognised	1,601	–
Advance opening balance	5,524	9,557
Net cash advances/(repayment) during the period	(3,517)	(4,033)
Advance closing balance	2,007	5,524
Opening losses/impairment recognised against the advance	(88)	(2,045)
Share of profit for the period recognised as a reduction of the impairment	88	1,957
Total losses/impairment recognised against the advance	–	(88)
Net interest in AMLP	3,608	5,436

	2016 $000's	2015 $000's
Current	1,084	2,500
Non-current	2,524	2,936
	3,608	5,436

The advances from the Group are payable on demand but the directors do not expect full repayment in the next 12 months, therefore only $1.1m is presented as a current asset as at 30 June 2016 (2015: $2.5m). Interest is payable at a rate of 7.2% per annum. The Group considers the advance balance as part of the net investment in AMLP.

The share of profit recognised represents an increase in the net investment in AMLP. In previous years the share of profit recognised represented a reduction in impairment of the investment and the advances. The impairments that had been recognised against the advance represented the share of prior year accumulated losses of AMLP.

17. Business combinations

In October 2015, the Group acquired the remaining 53.5% share capital of Geozone Limited (increasing the Group's shareholding to 100%) for consideration of $532k. The Group obtained control on this date. Total consideration for the business combination transaction was made up of the $532k consideration paid directly for the 53.5% plus the fair value of the previously held interest.

	$000's
Purchase consideration at 1 October 2015	
Cash	532
Total consideration transferred	532
Fair value of equity interest in Geozone Limited held before the business combination	462
Total consideration	994

The table below represents the fair value of the assets and liabilities acquired at 1 October 2015:

	$000's
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	43
Trade receivables	26
Intangible assets	600
Total assets	669
Trade payables	(13)
Deferred tax liability	(96)
Total liabilities	(109)
Total identifiable net assets at fair value	560
Goodwill arising on acquisition	434
Purchased consideration transferred	994

The Group recognised a gain of $104k as a result of measuring at fair value its 46.5% equity interest in Geozone Limited held before the business combination. The gain is included in other income in the Group's statement of comprehensive income for the period ended 30 June 2016.

From 1 October 2015 the operating results of Geozone Limited, consisting of an operating loss after taxation of $366k have been included in the profit and loss component of the statement of comprehensive income. If the acquisition had occurred at 1 July 2015, Group consolidated pro-forma revenue and profit after tax for the period ending 30 June 2016 would have been $278,952k and $24,362k respectively.

The consideration for the acquisition of Geozone Limited was derived from the implied fair value of the previously held interest (46.5%) on the date control was obtained plus the actual cost of the interest purchased in the period (53.5%). The implied fair value of the previously held interest was determined with reference to the price paid for the additional interest obtained. The deemed consideration of $994k resulted in a goodwill balance of $434k.

Net cash paid to acquire the business was $489k.

There is contingent consideration payable under the sale and purchase agreement which is conditional on the vendors remaining employed by Geozone Limited and meeting certain performance criteria. In accordance with NZ IFRS 3 the contingent consideration is recognised as an employee cost over the earn out period with a liability recognised within employee benefits.

18. Subsidiaries

The principal activities of the Parent company and trading subsidiaries are motorhome rental (THL Group Australia Pty Limited, Tourism Holdings Australia Pty Limited and JJ Motorcars Inc.), attractions (Waitomo Caves Limited) and travel applications (Geozone). All subsidiaries are 100% owned and therefore the Group is deemed to have control and have been fully consolidated from the date which control has been attained. All subsidiaries have 30 June balance dates. Material subsidiary companies included in the Group Financial Statements at 30 June 2016 are:

NAME	COUNTRY OF INCORPORATION
THL Group Australia Pty Limited	Australia
Tourism Holdings Australia Pty Limited	Australia
Waitomo Caves Limited	New Zealand
JJ Motorcars Inc.	United States of America

19. Investments in associates

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement.

In March 2015, the Group acquired a shareholding of less than 50% in Skewbald Limited (trading as Just Go) for GBP £1,744k. Just Go is a motorhome rental business operating in the United Kingdom. The investment has been accounted for as an investment in associate, and the Group's share of associates profits have been recognised with the Group's investment.

The carrying amounts recognised in the balance sheet are as follows:

	2016 $000's	2015 $000's
Just Go	3,445	3,964
Geozone (note 17)	–	312
Total	3,445	4,276

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

	2016 $000's	2015 $000's
Just Go	306	27
Geozone (note 17)	(25)	(36)
Total	281	(9)

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.

20. Share capital

	2016 SHARES 000's	2015 SHARES 000's	2016 $000's	2015 $000's
Ordinary shares				
Opening balance	112,934	111,803	153,492	152,399
Issue of ordinary shares – redeemable ordinary shares converted	2,650	991	2,236	760
Transfer from employee share scheme reserve for redeemable shares converted	–	–	332	113
Issue of ordinary shares – in lieu of directors' fees	114	140	260	220
Ordinary shares to be issued – in lieu of directors' fees accrued at 30 June	–	–	6	–
Closing balance	115,698	112,934	156,326	153,492

The total authorised number of ordinary shares is 115,697,700 shares (2015: 112,933,999) 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 4,763,333 redeemable ordinary shares on issue that are convertible on a 1:1 basis to ordinary shares (2015: 5,730,000). If these convert to ordinary shares per the terms outlined in note 33, total shares on issue will be 120,461,033 (2015: 118,663,999).

In the current year 2,650,000 redeemable ordinary shares were converted to ordinary shares. Conversions took place in August 2015 (650,000), September 2015 (200,000), March 2016 (500,000), April 2016 (300,000) and June 2016 (1,000,000). 316,667 redeemable ordinary shares were cancelled in June 2016. In April 2016 2,000,000 redeemable ordinary shares were issued.

In the prior year redeemable ordinary shares were converted to ordinary shares in July 2014 (116,666), September 2014 (150,000), October 2014 (200,000), December 2014 (100,000) and March 2015 (425,000). 833,334 redeemable ordinary shares were cancelled in July 2014. Redeemable ordinary shares were issued in October 2014 (200,000) and April 2015 (1,280,000).

Ordinary shares were issued to directors in lieu of Directors' fees per the terms outlined in note 32. Shares were issued in October 2015 (62,520) and April 2016 (51,181). In the prior year ordinary shares were issued to directors in lieu of Directors' fees in October 2014 (79,734) and April 2015 (60,043). At 30 June 2016 share capital includes an accrual for shares to be issued in lieu of Directors' fees of $68,000 (2015: $62,000).

21. Retained earnings

	2016 $000's	2015 $000's
Balance at beginning of year	15,001	9,504
Profit for the year	24,376	20,099
Dividends on ordinary shares	(19,439)	(14,655)
Transfer from employee share scheme reserve	8	53
	19,946	15,001

22. 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 profit and loss as part of the gain or loss on disposal.

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

	2016	2015
NZD/AUD	0.9817	0.9048
NZD/USD	0.7340	0.6983

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. Amounts previously recorded within the employee share scheme reserve relating to redeemable shares that have lapsed were transferred to share capital and retained earnings in the year ended 30 June 2016 in accordance with the Group's accounting policy (note 33).

	2016 $000's	2015 $000's
Foreign currency translation reserve		
Balance at beginning of the year	5,169	(1,789)
Currency translation differences	(5,396)	6,958
Balance at year end	(227)	5,169
Employee share scheme reserve		
Balance at beginning of year	454	473
Value of employee services charged to the income statement	187	147
Transfer to retained earnings	(8)	(53)
Transfer to share capital	(332)	(113)
Balance at year end	301	454
Total other reserves	74	5,623

23. Borrowings

The guaranteeing group consisting of Tourism Holdings Limited and all New Zealand, Australian and United States 100% owned subsidiaries had, at balance date, a working capital and a multi-option facility with Westpac Banking Corporation, Westpac New Zealand Limited and ANZ Banking Group (New Zealand) Limited and has provided a composite first ranking debenture over the assets and undertakings of the Group.

The facilities are split into term facilities and an interchangeable working capital facility with annual review and subject to covenant compliance extended annually. The renewal of all of the facilities occurred in the current financial year.

The interchangeable facility is interchangeable between overdraft, trade finance loans and documentary letter of credit. The documentary letter of credit facility is utilised for the purchase of fleet from Action Manufacturing LP.

Current expiry dates are:

Interchangeable Working Capital Facility	26 August 2017
Term Facilities	26 February 2019 & 26 February 2021

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

An Australian subsidiary had commercial hire purchase loans secured over its motorhome fleet. These loans were repaid in the current financial year.

Interest rates (excluding line fees) applicable at 30 June 2016 on the bank term loans ranged from 1.4% to 3.4%p.a. (2015: 1.1% to 5.4%p.a.).

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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

	2016 $000's	2015 $000's
Non-current		
Bank borrowings	81,111	71,884
Finance lease obligations	539	–
	81,650	71,884
Current		
Bank borrowings	–	40
Finance lease obligations	375	3,839
	375	3,879
Total borrowings	82,025	75,763

23. Borrowings (continued)

	2016 $000's	2015 $000's
Maturity of non-current portion		
Bank loans		
One to two years	–	9,955
Two to three years	53,664	40,693
Three to five years	27,447	21,236
	81,111	71,884
Finance lease obligations		
One to two years	390	–
Two to three years	149	–
Three to five years	–	–
	539	–

	2016 $000's	2015 $000's
Finance lease liabilities – minimum lease payments		
No later than 1 year	404	3,908
Later than 1 year and no later than 5 years	555	–
Minimum lease payments	959	3,908
Future finance charges on finance leases	(45)	(69)
Present value of finance lease liabilities	914	3,839

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

	2016 NZ$000's	2015 NZ$000's
New Zealand dollar	52,586	42,261
Australian dollar	7,538	9,907
United States American dollar	18,733	19,658
Pounds sterling	3,168	3,937
	82,025	75,763

The Group has the following undrawn borrowing facilities:

	2016 $000's	2015 $000's
Floating rate		
– Expiring within one year	–	6,309
– Expiring beyond one year	31,425	20,245
	31,425	26,554

No borrowing costs were capitalised in 2016 (2015: nil).

24. Leased assets in property, plant and equipment

Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease. In 2015 these related to motorhomes. In 2016 they relate to IT assets.

	2016 $000's	2015 $000's
Cost	1,327	6,752
Accumulated depreciation	(66)	(1,536)
Net book amount	1,261	5,216

25. Other commitments

As at 30 June 2016 the Group has a $30m Documentary Letter of Credit facility. The amount drawn at 30 June 2016 was $17,237k (2015: $13,590k).

The outstanding documents are in favour of AMLP (note 16) and are due for payment within 12 months. This is recognised within 'trade and other payables' (note 27).

26. Trade and other receivables

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

	2016 $000's	2015 $000's
Trade receivables	11,598	10,958
Less provision for impairment of receivables	(201)	(166)
Trade receivables – net	11,397	10,792
Prepayments	3,492	2,489
Other receivables	6,005	4,539
Receivable under buy-back arrangement	5,049	–
Total trade and other receivables	25,943	17,820

At June 2016 trade and other receivables includes an amount of $5,049k relating to 4WD vehicles purchased under a short term buy-back arrangement. The difference between the original purchase price and the buy-back price is amortised as an operating lease cost over the term of the arrangement.

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 an increase in the provision of $35k (2015: $75k increase) for the impairment of its trade receivables which has been included in 'operating expenses' in the income statement. The Group has a net write off of trade receivables of $1k (2015: $12k write off).

27. Trade and other payables

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method.

	2016 $000's	2015 $000's
Trade payables	26,404	26,148
Accrued expenses and other payables	9,855	8,682
	36,259	34,830

28. Financial instruments

Financial assets

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

Fair value estimation

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

Impairment of financial assets

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

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

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

28. Financial instruments (continued)

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

	2016			2015		
	LOANS AND RECEIVABLES $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's	LOANS AND RECEIVABLES $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's
Financial instruments by category						
Assets						
Advance to joint venture	3,608	–	3,608	5,436	–	5,436
Cash and cash equivalents	3,020	–	3,020	6,526	–	6,526
Loan receivable	–	–	–	1,553	–	1,553
Trade and other receivables	22,451	–	22,451	15,331	–	15,331
Derivative financial instruments	–	–	–	–	422	422

	2016			2015		
	MEASURED AT AMORTISED COST $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's	MEASURED AT AMORTISED COST $000's	DERIVATIVES USED FOR HEDGING $000's	TOTAL $000's
Liabilities						
Interest bearing loans and borrowings	82,025	–	82,025	75,763	–	75,763
Derivative financial instruments	–	5,859	5,859	–	2,634	2,634
Trade and other payables	36,259	–	36,259	34,830	–	34,830

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.

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

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

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

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

Exchange rate sensitivity

The following tables show the impact of a 5 cent movement up or down in the New Zealand dollar vs. the Australian dollar and United States dollar and the impact that this exchange rate change has on reported net profit after tax. A 5 cent change is considered a reasonable possible change based on prior year movements.

	2016 $000's	2015 $000's
Post-tax impact on reported profit of:		
A 5 cent increase in the NZ dollar vs the AU dollar	(15)	36
A 5 cent increase in the NZ dollar vs the US dollar	(11)	(14)
A 5 cent decrease in the NZ dollar vs the AU dollar	15	(36)
A 5 cent decrease in the NZ dollar vs the US dollar	11	14

Interest rate risk

The Group's interest rate risk primarily arises from long-term borrowings, cash and cash equivalents and the advance to joint venture. 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.

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

29. Financial risk management (continued)

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

AS AT 30 JUNE 2016	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
Assets							
Advance to joint venture	7.2%	3,608	–	–	–	–	3,608
Cash and cash equivalents	0.3%	3,020	–	–	–	–	3,020
		6,628	–	–	–	–	6,628
Liabilities							
Bank borrowings*	5.4%	–	81,111	–	–	–	81,111
Finance lease obligations	4.0%	–	375	390	149	–	914
		–	81,486	390	149	–	82,025
Interest rate derivative contracts**	4.4%	–	5,400	18,037	21,681	9,590	54,708

The effective interest rate of group borrowings is 5.39% including the impact of the interest rate swaps and line fees on facilities.

AS AT 30 JUNE 2015	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
Assets							
Advance to joint venture	9.1%	5,436	–	–	–	–	5,436
Loans receivable	6.6%	1,553	–	–	–	–	1,553
Cash and cash equivalents	1.0%	6,526	–	–	–	–	6,526
		13,515	–	–	–	–	13,515
Liabilities							
Bank borrowings*	6.0%	100	71,824	–	–	–	71,924
Finance lease obligations	4.6%	–	3,839	–	–	–	3,839
		100	75,663	–	–	–	75,763
Interest rate derivative contracts**	4.7%	–	7,658	5,642	21,710	11,648	46,658

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

**Notional contract amounts.

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:

	2016 $000's	2015 $000's
Pre-tax impact of:		
An increase in interest rates of 1%	(243)	(189)
A decrease in interest rates of 1%	243	189

29. 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 1.0% across the yield curve then the impact on the fair value of the swaps on equity is shown in the following table. A movement of 1% or 100bps is considered by management as a reasonable estimate of a possible shift in interest rates for the year based on historic movements. As the interest rate swaps were effective as at 30 June 2016 there is no impact on the profit and loss.

	2016 $000's	2015 $000's
Post tax impact on equity of a 1% move in interest rates		
An increase in interest rates of 1% across the yield curve	2,003	1,694
A decrease in interest rates of 1% across the yield curve	(2,131)	(1,810)

Credit risk

The Group has a concentration of credit risk in respect of the advance to the joint venture and the amount outstanding from the buy-back arrangement which is secured by the 4WD vehicles. The Group has no other significant concentrations of credit risk. Policies are in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Derivative contract counterparties and cash on deposit are limited to high credit rated quality financial institutions.

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

	2016 $000's	2015 $000's
Bank balances	3,020	6,526
Advance to joint venture	3,608	5,436
Trade receivables (net of impairment provision)	11,397	10,792
Other receivables	6,005	4,539
Receivable under buy-back arrangement	5,049	–
Loan receivable	–	1,553
	29,079	28,846

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	2016 $000's	2015 $000's
Trade receivable analysis			
Debtors past due		2,114	1,537
Impairment provision		(201)	(166)
Debtors past due but not impaired		1,913	1,371
Debtors current		9,484	9,421
Total trade debtors	26	11,397	10,792

	2016 $000's	2015 $000's
Ageing of debtors past due		
1-30 days	1,225	867
31-60 days	227	195
61-90 days	113	214
91+ days	549	261
Total debtors past due	2,114	1,537

29. Financial risk management (continued)

Liquidity risk

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

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

The amounts disclosed are the contractual undiscounted cash flows.

YEAR ENDED 30 JUNE 2016	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
Trade and other payables	36,259	–	–	–	36,259	36,259
Bank borrowings	3,162	3,025	85,398	–	91,585	81,111
Capitalised lease obligations	404	404	152	–	960	914
Interest rate and foreign currency derivative contracts*	1,818	1,052	2,409	1,290	6,569	5,859
	41,643	4,481	87,959	1,290	135,373	124,143

YEAR ENDED 30 JUNE 2015	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
Trade and other payables	34,830	–	–	–	34,830	34,830
Bank borrowings	3,407	12,775	64,793	–	80,975	71,924
Capitalised lease obligations	3,908	–	–	–	3,908	3,839
Interest rate and foreign currency derivative contracts*	757	691	1,258	411	3,117	2,634
	42,902	13,466	66,051	411	122,830	113,227

* 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.

Capital risk management

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

There are a number of externally imposed bank covenants required as part of seasonal and term debt facilities. These covenants are calculated monthly and reported to banks quarterly. The most significant covenants relating to capital management are Net Interest Bearing Debt to EBITDA ratio, an equity to total assets ratio (net of intangible assets). 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.

30. 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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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.

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.

	2016 ASSETS 000's	2016 LIABILITIES 000's	2015 ASSETS $000's	2015 LIABILITIES $000's
Interest rate swaps – current portion	–	61	–	89
Foreign currency swaps – current portion	–	604	125	–
Cash flow hedges – total current portion	–	665	125	89
Interest rate swaps – non current portion	–	5,194	297	2,545
Cash flow hedges – total non current portion	–	5,194	297	2,545
Total cash flow hedges	–	5,859	422	2,634

The ineffective portion recognised in the profit or loss that arises from cash flow hedges in 2016 amount to nil (2015: nil).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2016 were $54,708k (2015: $46,659k).

At 30 June 2016, the fixed interest rates vary from 1.00% to 6.45% (2015: 1.00% to 6.45%).

The liquidity table in note 29 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.

30. Derivative financial instruments (continued)

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 2016 and 30 June 2015 the Group's only assets and liabilities measured at fair values are derivative financial instruments which are classified within Level 2 of the fair value hierarchy.

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.

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.

31. Cash flow hedge reserve

	2016 $000's	2015 $000's
Balance at beginning of year	(1,593)	(691)
Fair value gains/(losses)	(3,653)	(1,253)
Tax on fair value gains/(losses)	1,023	351
	(4,223)	(1,593)

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 profit and loss when the associated hedged transaction affects profit and loss.

Section F – Other

In this section

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

32. Related party transactions

Key management compensation

	2016 $000's	2015 $000's
Salaries and other short term employee benefits	4,476	3,343
Share based payments benefits	187	147

The above includes the CEO, direct reports to the CEO and direct reports to the COO. There are two new key management positions in 2016 compared with 2015. Total positions included above are 13 (2015: 11).

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

Directors' fees

	2016 $000's	2015 $000's
Directors' fees	463	448

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. Rob Campbell, Graeme Wong, Christina Domecq and Gráinne Troute have elected to receive a portion of their director fees in shares, as previously disclosed. There have been no changes to these in the year to 30 June 2016. Shares issued in lieu of directors fees are as follows:

	SHARES 000's		VALUE $000's	
	2016	2015	2016	2015
Shares issued in lieu of cash	114	140	260	220
Shares to be issued to directors at 30 June	–	–	69	62

Rob Campbell and Christina Domecq (Non-executive Directors)

Foundry Innovations Limited (Foundry), Ora HQ Limited (Ora), Software Innovation NZ Limited and The Fulcrum Limited (Fulcrum) are companies in which ***thl*** directors Rob Campbell and Christina Domecq are shareholders. Foundry, Ora, Software Innovation NZ Limited and Fulcrum have provided consulting and software development services to ***thl***. The chair of the audit and risk committee has approved the provision of these services.

	2016 $000's	2015 $000's
Amounts paid to Ora and Foundry	453	375
Amounts paid to Software Innovation NZ Limited	52	60
Amounts paid to Fulcrum	20	–

32. Related party transactions (continued)

Kay Howe (Non-executive Director)

Supreme Motorhome Manufacturing Limited (Supreme) is owned by entities associated with ***thl*** director Kay Howe. Supreme has provided caravans, parts, and service work to ***thl***.

	2016 $000's	2015 $000's
Payments to Supreme including purchase of motorhomes and caravans	51	361

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

Grant Brady, a member of the ***thl*** executive team, is a shareholder and director of Alpine Bird (New Zealand) Limited ("Alpine Bird") which was previously named KEA Campers (New Zealand) Limited. ***thl*** subleases a property in Bush Road. The property is owned by Bush Road Enterprises Limited (of which Grant Brady is a minority shareholder and director). The lease on this property was renewed for a further term of six years in April 2015. The cost of the sublease and operating expenses are set out in the table below:

	2016 $000's	2015 $000's
Cost of sub-licenses and operating expenses	498	508

thl had previously made an advance to Alpine Bird. This loan was repaid during the year ended 30 June 2016.

	2016 $000's	2015 $000's
Alpine Bird loan	–	1,553

Action Manufacturing LP

	2016 $000's	2015 $000's
Purchase of motorhomes by the Group from joint venture	46,208	42,000
Interest charged to joint venture	329	712
Net interest in Action Manufacturing LP (note 16)	3,608	5,436

The amount outstanding is payable on demand at an interest rate of 7.2%.

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

Just Go

In the year ended 30 June 2015 the Group acquired a shareholding in Just Go (refer to note 19). In the year ended 30 June 2016 the Group purchased motorhomes from Just Go with a value of $4,151k (June 2015: $1,502k). Furthermore, at 30 June 2016, the Group had a commitment to purchase motorhomes from Just Go with a value of $5,793k (2015: $4,140k).

33. Share-based payments

Employee benefits

Share scheme

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

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 profit and loss over the life of the scheme/option with a corresponding credit to the employee share scheme reserve.

33. Share-based payments (continued)

Movements in redeemable shares under the 2009 scheme have been as follows:

YEAR OF ISSUE	2016	2015	2014	2013	2012	2011	2010	2009	TOTAL
Shares issued	2,000,000	1,480,000	1,450,000	1,850,000	2,650,000	200,000	1,200,000	1,900,000	12,730,000
Less: Forfeited									
2011	–	–	–	–	–	–	100,000	200,000	300,000
2012	–	–	–	–	100,000	–	100,000	200,000	400,000
2013	–	–	–	200,000	–	–	–	–	200,000
2014	–	–	–	400,000	333,333	–	–	–	733,333
2015	–	–	250,000	250,000	233,333	–	100,000	–	833,333
2016	–	250,000	66,667	–	–	–	–	–	316,667
	–	250,000	316,667	850,000	666,666	–	300,000	400,000	2,783,333
Less: Converted to ordinary shares									
2014	–	–	–	100,000	466,667	–	–	975,000	1,541,667
2015	–	–	–	–	116,667	–	350,000	525,000	991,667
2016	–	–	333,334	466,666	1,200,000	100,000	550,000	–	2,650,000
	–	–	333,334	566,666	1,783,334	100,000	900,000	1,500,000	5,183,334
Redeemable shares outstanding	2,000,000	1,230,000	799,999	433,334	200,000	100,000	–	–	4,763,333

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

	2016		2015	
	AVERAGE EXERCISE PRICE*	REDEEMABLE SHARES	AVERAGE EXERCISE PRICE*	REDEEMABLE SHARES
At 1 July	1.19	5,730,000	0.92	6,075,000
Granted	3.10	2,000,000	2.05	1,480,000
Forfeited	1.78	(316,667)	0.90	(833,333)
Exercised	0.83	(2,650,000)	0.76	(991,667)
At 30 June	2.08	4,763,333	1.19	5,730,000
Convertible shares at 30 June		855,556		1,983,333

2,650,000 redeemable shares were converted to ordinary shares in the year to June 2016 which resulted in 2,650,000 ordinary shares being issued (2015: 991,667) at a weighted average price of $0.83 per share (2015: $0.76). 316,667 shares were forfeited as a result of Executives leaving the business (2015: 833,333). The weighted average share price on the exercise date was $2.50 (2015: $1.57).

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

33. Share-based payments (continued)

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

	EXERCISE PRICE*	2016	2015
Expiry date			
October 2015	0.84	–	150,000
May 2016	1.09	–	400,000
December 2016	0.90	–	200,000
September 2017	0.69	100,000	500,000
March 2018	0.71	200,000	900,000
March 2019	0.65	433,334	900,000
March 2020	1.17	799,999	1,200,000
October 2020	1.47	200,000	200,000
March 2021	1.94	1,030,000	1,280,000
April 2022	3.10	2,000,000	–
Redeemable shares outstanding		4,763,333	5,730,000
Valuation of redeemable shares		885,794	831,967

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

The value of the redeemable shares calculated using the Binomial Option Pricing Model is being amortised over the life of the redeemable share rights. The 2016 expense of $187k (2015: $147k) will accumulate in the executive share scheme reserve.

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

	2016	2015	2014	2013	2012	2011	2010	2009
Issue price	$2.57	$1.41 & $1.78	$1.14	$0.65	$0.60 & $0.64	$0.75	$0.70 & $0.90	$0.49
Forecast dividend yield over the life of the transfer rights	6.1%	8.9%	6.0%	6.3%	3.0% & 6.0%	3.0%	3.0%	3.0%
Risk free rate of interest over the exercise period of the share transfer rights	3.40%	3.30%	4.63%	3.80%	4.68% & 3.89%	5.15%	5.15%	4.14%
Volatility of Tourism Holdings Limited share price returns mid point	23.0%	26.0%	32.5%	29%	35% & 28%	35%	35%	25%
Cost of capital adjustment p.a.	12.30%	11.50%	13.20%	12.60%	13.25% & 12.50%	13.25%	13.25%	13.25%

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.

34. Reconciliation of profit after taxation with cash flows from operating activities

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

	NOTES	2016 $000's	2015 $000's
Operating Profit after tax		24,376	20,099
Plus/(less) non-cash items:			
Depreciation	11	33,253	31,631
Amortisation of fixed term intangibles	15	1,629	1,583
Amortisation of executive share scheme	33	187	147
Movement in deferred taxation		3,058	3,459
Increase/(decrease) in provision for doubtful debts		135	74
Fair value gain of equity accounted interest in Geozone Limited	17	(104)	–
Interest		–	(100)
Deferred consideration settlement	3	–	(1,744)
Share of profit from joint venture and associates	16, 19	(1,970)	(1,948)
Non-cash director remuneration		260	220
Total non-cash items		36,448	33,322
Plus/(less) items classified as investing activities:			
Net loss/(gain) on sale of property, plant and equipment	3	86	1,441
Total items classified as investing activities		86	1,441
Reclassification of cash flows associated with rental assets:			
Net book value of rental assets sold		65,284	51,525
Purchase of rental assets		(104,588)	(82,202)
Total cash flows associated with rental assets		(39,304)	(30,677)
Trading cash flow		21,606	24,185
Plus/(less) movements in working capital:			
Increase/(decrease) in accounts payable excluding rental assets		(5,573)	(2,518)
Increase/(decrease) in revenue received in advance		3,747	3,324
Increase/(decrease) in provision for taxation		(413)	1,580
Increase/(decrease) in employee benefits		921	1,020
Decrease/(increase) in accounts receivable		(3,855)	(2,122)
Decrease/(increase) in inventories		(3,914)	(1,290)
Total movements in working capital		(9,087)	(6)
Net cash flows from operating activities		12,519	24,179

35. 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 offset amounts are as follows:

	2016 $000's	2015 $000's
Deferred tax (asset)/liabilities:		
– Deferred tax liability to be met after more than 12 months	8,943	9,449
– Deferred tax liability to be met within 12 months	2,391	1,009
– Deferred tax asset to be realised after more than 12 months	(609)	–
– Deferred tax asset to be realised within 12 months	(288)	(901)
Net deferred tax liability	10,437	9,557

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

	2016 $000's	2015 $000's
Beginning of the year	9,557	6,249
Income statement charge	1,805	3,659
Tax charged to equity	(1,023)	(351)
Deferred tax recognised on acquisition of subsidiary	98	–
End of the year	10,437	9,557
Comprised of:		
Future tax benefit	(4,399)	(4,305)
Deferred tax liability	14,836	13,862
Net deferred tax liability	10,437	9,557

The balance comprises temporary differences attributable to:

	2016 $000's	2015 $000's
Amounts recognised in income statement		
Provisions	(1,769)	(1,677)
Property, plant and equipment	14,743	13,806
Tax losses	(288)	(1,813)
Other	–	(139)
Amounts recognised directly in equity		
Derivative financial instruments	(2,249)	(620)
Net deferred tax liability	10,437	9,557

36. Changes in accounting policies and disclosures

New and amended standards adopted by the Group

There are no new or amended standards which have been adopted in the year ended 30 June 2016 that have a have a material impact on the Group.

New standards not yet adopted by the Group

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

(i) NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

(ii) NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

(iii) NZ IFRS 16, Leases replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers. The Group intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.

Other interpretations and amendments are unlikely to have a significant impact on the Group's financial statements and have therefore not been analysed in detail.

37. Contingencies

As at 30 June 2016 the Group has bank guarantees of $930k in place. Predominantly these are in lieu of bonds paid relating to leased assets (2015: $1,001k).

The Group has no other contingent liabilities as at 30 June 2016.

38. Events after the reporting period

A dividend was declared after balance date at 10 cents per share payable on 14 October 2016.

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Independent auditor's report

to the shareholders of Tourism Holdings Limited

Our opinion

In our opinion the 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 2016, 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 consolidated financial statements comprise:

- the statement of financial position as at 30 June 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 treasury services, debt refinancing, agreed upon procedures and other services. The provision of these other services has not impaired our independence as auditors of the Group.

Information other than the financial statements and auditor's report

The Driectors are responsible for the annual report and other annual information to shareholders. The other information included in the annual report comprise:

- the Directors' statement;
- the Statutory information;
- the Board of Directors; and
- the Corporate information.

The other annual information to shareholders is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report or other annual information to shareholders and we do not and will not express any form of assurance conclusion on the other information.

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. When we read the other annual information to shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

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Independent auditor's report

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 financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

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 Keren Blakey.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
22 August 2016

Auckland

Statutory information

For the year ended 30 June 2016

Corporate governance

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

Role of the board

The Board is committed to managing ***thl*** in an ethical and professional manner, and in the best interests of the company and its shareholders. Specific responsibilities of the Board, as set out in the Board Charter adopted by ***thl***, include the following:

- Oversight of ***thl***, including its control and accountability procedures and systems;
- Appointment, performance and removal of the Chief Executive Officer;
- Confirmation of the appointment and removal of the senior executive group (being the direct reports to the Chief Executive Officer);
- Setting the remuneration of the Chief Executive Officer and Chief Financial Officer and approval of the remuneration of the senior executive group;
- Approval of the corporate strategy and objectives and oversight of the adequacy of ***thl***'s resources required to achieve the strategic objectives;
- Approval of and monitoring of actual results against the annual business plan and budget (including the capital expenditure plan);
- Review and ratification of ***thl***'s risk management framework, internal compliance and control, codes of conduct, and legal compliance;
- Approval and monitoring of the progress of capital expenditures, capital management initiatives, and acquisitions and divestments; and
- Approval of the annual and half-year financial statements.

Board composition

The Board of Directors currently comprises five directors, all of whom are non-executive directors:

- Rob Campbell
- Christina Domecq
- Kay Howe
- Gráinne Troute
- Graeme Wong

David Neidhart retired from the Board in May 2016.

The policy for appointment and retirement of directors is contained within ***thl***'s constitution. At each annual meeting, one-third of the directors shall retire by rotation. Kay Howe and Graeme Wong retire by rotation at the 2016 Annual Meeting and, being eligible, offer themselves for re-election.

NZX has determined that a component of good corporate governance is the identification of independent directors. As at 30 June 2016, being the balance date, the following directors are independent within the meaning of the NZX listing rules:

Rob Campbell	Chairman & Chair Market Disclosure Committee
Graeme Wong	Chair Audit & Risk Committee
Gráinne Troute	Chair Remuneration & Nomination Committee
Christina Domecq	Chair Marketing & Customer Experience Committee

Kay Howe is not independent within the meaning of the NZX listing rules.

As at 30 June 2016, being the balance date, the Board of ***thl*** comprised three female directors and two male directors, compared to three female directors and three male directors at 30 June 2015. As at 30 June 2016 the officers (being the CEO and those who report directly to the CEO and COO) of ***thl*** comprised two female employees and eleven male employees, compared to two female employees and eight male employees at 30 June 2015.

Statutory information (continued)

For the year ended 30 June 2016

Corporate governance framework

The Board is committed to continued development of ***thl***'s corporate governance practices. The Board continues to review and develop its corporate governance policies and monitor developments to keep abreast of corporate governance best practice.

thl's corporate governance framework includes the constitution of ***thl***, the Board Charter, a Code of Ethics, and various policies including a Delegated Authority Policy, Market Disclosure Policy and Securities Trading Policy.

There are four standing committees described as below. The performance of the standing committees is reviewed annually against written charters.

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

Audit & Risk Committee

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

The Committee meets a minimum of three times each year. The Audit & Risk Committee has oversight of, and assists the Board to fulfil its responsibilities in the areas of financial reporting, audit functions, and risk management and control.

The current composition of the Audit & Risk Committee is:

- Graeme Wong (Chairman)
- Rob Campbell
- Gráinne Troute

Also in attendance by invitation are:

- Kay Howe
- Christina Domecq
- Grant Webster (Chief Executive Officer)
- Mark Davis (Chief Financial Officer)

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is comprised of at least three non-executive directors of the Board, a majority of whom must be independent directors.

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

The current composition of the Remuneration & Nomination Committee is Gráinne Troute (Chair), Kay Howe and Rob Campbell. Also in attendance by invitation are Christina Domecq, Graeme Wong, and Grant Webster (Chief Executive Officer).

Market Disclosure Committee

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

The Committee meets as required and approves all market disclosures.

Marketing & Customer Experience Committee

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

Statutory information (continued)

For the year ended 30 June 2016

Independent professional advice

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

Table of board attendances

(FY2016 JULY 15 - JUNE 16)	BOARD MEETINGS	AUDIT & RISK COMMITTEE MEETINGS	REMUNERATION & NOMINATION COMMITTEE MEETINGS	DISCLOSURE COMMITTEE MEETINGS*	MARKETING & CUSTOMER EXPERIENCE COMMITTEE MEETINGS
Total number of meetings held	8	3	3	–	1
Rob Campbell	8	3	3	–	–
Christina Domecq	8	3	3	–	1
Kay Howe	8	3	3	–	1
David Neidhart	7	2	2	–	–
Gráinne Troute	8	3	3	–	–
Graeme Wong	8	3	3	–	–

*No separate Disclosure Committee meetings were required outside of the full Board or Audit and Risk Committee meetings.

Share trading protocol

thl has in place a formal Securities Trading Policy and guidelines which applies to all Directors, officers and employees of ***thl*** and its subsidiaries who intend to trade in ***thl*** listed securities.

All individuals defined as "restricted persons" under that policy, being the Directors, Chief Executive Officer and all persons reporting directly to the Chief Executive Officer, must notify ***thl*** of their intention to trade and obtain approval from the Board before trading in ***thl***'s shares. Trading is permitted, provided the restricted person confirms that they do not hold any material information and that they are not aware of any reason that would prohibit them from trading. Any trading must be completed within 10 trading days of Board approval being given.

Diversity policy

In June 2014 the Board adopted a Diversity Policy that requires diversity in Board representation encompassing differences including but not limited to gender, ethnicity, race, marital status, sexual orientation, age, employment status, religious belief, ethical belief or political opinion. When making appointments the Board is committed to considering diversity as well as the mix of skills and experience needed to expand the perspective and capability of the Board as a whole.

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

Spread of shareholders

The ordinary shares of Tourism Holdings Limited are listed on the NZX Main Board.

As at 30 June 2016 the total number of voting securities on issue was 115,697,700.

SIZE OF SHAREHOLDINGS	NUMBER OF HOLDERS	NUMBER OF SHARES HELD	% OF TOTAL ISSUED SHARES
1 - 1,000	939	620,887	0.5%
1,001 - 5,000	2,410	6,889,540	6.0%
5,001 - 10,000	905	7,060,439	6.1%
10,001 - 50,000	766	15,756,157	13.6%
50,001 - 100,000	73	5,564,787	4.8%
100,001 and over	65	79,805,890	69.0%
	5,158	115,697,700	100.0%

The above shows the spread of shareholders as at 30 June 2016. The shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been reallocated to the applicable members of NZCSD.

Statutory information (continued)

For the year ended 30 June 2016

Substantial Product Holders

The following information is provided in compliance with section 293 of the Financial Markets Conduct Act and records Substantial Product Holder notices received in the period up to 30 June 2016.

	NUMBER OF ORDINARY SHARES IN WHICH A RELEVANT INTEREST WAS HELD	
Milford Asset Management Limited	20,390,019	17.6%
Accident Compensation Corporation	7,488,376	6.5%

Current holding reflects the Substantial Product Holder notices received up to 30 June 2016.

Twenty Largest Shareholders

AS AT 30 JUNE 2016	NUMBER OF ORDINARY SHARES	
1 National Nominees New Zealand Limited	21,388,819	18.5%
2 Accident Compensation Corporation	8,342,727	7.2%
3 HSBC Nominees (New Zealand) Limited	6,345,321	5.5%
4 Forsyth Barr Custodians Ltd	5,836,730	5.0%
5 Bnp Paribas Nominees NZ Limited	5,232,330	4.5%
6 Kay Jocelyn Howe	2,666,550	2.3%
7 FNZ Custodians Limited	2,461,978	2.1%
8 Citibank Nominees (NZ) Ltd	2,312,932	2.0%
9 Alpine Bird (New Zealand) Limited	1,924,932	1.7%
10 New Zealand Permanent Trustees Limited	1,813,958	1.6%
11 Custodial Services Limited	1,647,513	1.4%
12 Grant Gareth Webster	1,552,962	1.3%
13 Glenn Laurance Howe & Tony Laurance Howe	1,224,410	1.1%
13 Nicole Tonnile Edgerton & Dean Neil Edgerton & William Desmond Wallis	1,224,410	1.1%
14 New Zealand Superannuation Fund Nominees Limited	1,117,628	1.0%
15 Guardian Nominees No 2 Ltd	1,113,000	1.0%
16 Moon Chul Choi & Keum Sook Choi	1,110,000	1.0%
17 Ja Hong Koo & Pyung Keum Koo	918,500	0.8%
18 Investment Custodial Services Limited	753,381	0.7%
19 Leveraged Equities Finance Limited	664,287	0.6%
20 Cogent Nominees (NZ) Limited	548,916	0.5%
	70,201,284	60.7%

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

Statutory information (continued)

For the year ended 30 June 2016

Directors' shareholding

AT 30 JUNE 2016	SHARES BENEFICIALLY OWNED, HELD SOLELY OR AS A JOINT HOLDER 2016	2015	SHARES BENEFICIALLY OWNED, HELD BY ASSOCIATED PERSONS (INCLUDING FAMILY INTERESTS) 2016	2015
R Campbell	–	–	579,581	498,886
C Domecq	–	–	77,338	48,187
K Howe	2,666,550	3,222,133	3,222,132	3,222,132
G Troute	23,331	2,038	–	–
G Wong	132,649	122,837	–	–
	2,822,530	3,347,008	3,879,051	3,769,205

Directors' share dealings

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

Tutanekai Investments Limited (an entity beneficially associated with R Campbell), acquired 27,250 ordinary shares in the Company over the period 15 October 2015 to 21 October 2015 at an average price of $2.13 per share. In addition, Tutanekai Investments Limited was issued with 29,126 ordinary shares in the Company on 1 October 2015 at $2.06 per share as part of R Campbell's director remuneration for the six months ended 30 September 2015, and 24,319 ordinary shares in the Company on 1 April 2016 at $2.57 per share as part of his director remuneration for the six months ended 31 March 2016.

Wild Logic Limited (an entity beneficially associated with C Domecq) was issued with 15,776 ordinary shares in the Company on 1 October 2015 at $2.06 per share as part of C Domecq's director remuneration for the six months ended 30 September 2015 and 13,375 ordinary shares in the Company on 1 April 2016 at $2.57 per share as part of her director remuneration for the six months ended 31 March 2016.

K Howe sold 555,583 ordinary shares in the Company over the period 7 June 2016 to 16 June 2016 at an average price of $2.82 per share.

G Troute was issued with 12,332 ordinary shares in the Company on 1 October 2015 at $2.06 per share as part of her director remuneration for the six months ended 30 September 2015 and 8,961 ordinary shares in the Company on 1 April 2016 at $2.57 per share as part of her director remuneration for the six months ended 31 March 2016.

G Wong was issued with 5,286 ordinary shares in the Company on 1 October 2015 at $2.06 per share as part of his director remuneration for the six months ended 30 September 2015, and 4,526 ordinary shares in the Company on 1 April 2016 at $2.57 per share as part of his director remuneration for the six months ended 31 March 2016.

In addition to the share dealings described above, the following entries were made in the Directors' interests register during the year:

R Campbell	General notice of interest as a director of Serica Credit Fund.
C Domecq	Nil.
K Howe	General notice of interest as a director of Enki Enterprises Limited, Koda Property Holdings Limited, Southern Party Hire Limited and Stage Holdings Limited.
G Troute	General notice of interest as a director of Summerset Group Holdings Limited from September 2016.
G Wong	Nil.

Statutory Information (continued)

For the year ended 30 June 2016

General notice of directors' interest

R Campbell is Chair of Summerset Group Holdings Limited, G3 Group Limited, King Tide Asset Management Limited and Tutanekai Investments Limited and is a director of the following companies: Precinct Properties New Zealand Limited, T & G Global Limited, Aotearoa Financial Investments Limited, Foundry Limited, Serica Credit Fund, THL Corporate Trustee Limited, and Truescape Limited.

C Domecq is a director of Foundry Innovations Limited, Foundry Limited, Localist Limited, Ora HQ Limited, International Trading Cartel Limited, MexiKai Limited, NZ Market Limited, Urban Sherpa Limited, Wild Logic Limited, and Harmoney Corp Limited.

K Howe is a director of Enki Enterprises Limited, Hauraki Farm Investments Limited, Koda Property Holdings Limited, Southern Party Hire Limited, Stage Holdings Limited and THL Corporate Trustee Limited.

G Troute is a director of Summerset Group Holdings Limited.

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

NZX waiver

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

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

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

- an executive has ceased to be employed by the ***thl*** Group before requiring a transfer of those shares; or
- because an executive does not call for a transfer of shares within the time allowed by the Scheme; or
- an executive otherwise surrenders or forfeits any rights under the Scheme, including the right to call for a transfer.

Directors' loans

There were no loans by the Group to Directors.

Directors' insurance

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

Directors' remuneration

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

	2016		2015	
DIRECTORS OF TOURISM HOLDINGS LIMITED	DIRECTORS' FEES	OTHER REMUNERATION	DIRECTORS' FEES	OTHER REMUNERATION
G W Bowker[1]	–	–	51,067	–
R Campbell	125,000	–	120,000	–
C Domecq	68,750	–	65,000	–
K Howe	62,500	–	60,000	–
D Neidhart[2]	61,960	–	65,320	–
G Wong	70,500	–	65,333	–
G Troute[3]	74,167	–	21,667	–
	462,877	–	448,387	–

(1) G W Bowker retired as a Director in February 2015.
(2) D Neidhart retired as a Director in May 2016.
(3) G Troute was appointed as a Director in February 2015.

Each of R Campbell, C Domecq, G Wong and G Troute were issued ordinary shares in ***thl*** as part of their director remuneration, as described in the section titled "Directors' share dealings" above.

Statutory Information (continued)

For the year ended 30 June 2016

Subsidiary Companies

The directors of ***thl***'s subsidiary companies are as follows:

THL Motorhomes Ltd	Grant Webster and Mark Davis
THL Motorhomes UK Ltd	Grant Webster and Daniel Schneider
Waitomo Caves Limited	Grant Webster and Mark Davis
Waitomo Caves Holdings Limited	Grant Webster and Mark Davis
Geozone Limited	Grant Webster and Adam Hutchinson (ceased to be a director in October 2015)
Maui Rentals Pty Ltd	Grant Webster, Mark Davis and Matthew Harvey
The Green Bus Company Pty Ltd	Grant Webster, Mark Davis and Matthew Harvey
THL Oz Pty Ltd	Grant Webster, Mark Davis and Matthew Harvey
Tourism Holdings Rental Vehicles Pty Limited	Grant Webster, Mark Davis and Matthew Harvey
World Travel Headquarters Pty Limited	Grant Webster, Mark Davis and Matthew Harvey
Tourism Holdings Australia Pty Limited	Robert Campbell, Grant Webster, Mark Davis and Matthew Harvey
THL Group (Australia) Pty Ltd	Grant Webster, Mark Davis and Matthew Harvey
JJ Motorcars Inc	Hannes Rosskopf and Daniel Schneider
Tourism Holdings USA Inc	Grant Webster and Mark Davis
Road Bear NZ Limited	Grant Webster and Mark Davis

Employee remuneration

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

REMUNERATION IN $000'S	NUMBER OF EMPLOYEES
100 – 109	10
110 – 119	8
120 – 129	9
130 – 139	11
140 – 149	6
150 – 159	3
160 – 169	8
170 – 179	2
180 – 189	2
210 – 219	1
220 – 229	2
240 – 249	1
270 – 279	1
280 – 289	1
310 – 319	1
320 – 329	1
360 – 369	1
370 – 379	1
430 – 439	1
440 – 449	1
580 – 589	1
1,010 – 1,019	1
Total	73

Auditors

In accordance with section 196 of the Companies Act 1993, PricewaterhouseCoopers are appointed as the Group's auditors. Auditors' remuneration is detailed in note 4 of the financial statements.

Board of directors

Rob Campbell (Auckland) Chairman

Independent Director appointed in May 2013. Appointed Chairman of ***thl*** in August 2013 and Chair of Market Disclosure Committee in April 2014. Rob has over 30 years experience in investment management and corporate governance. Currently Chair of Summerset Group Holdings Limited (NZ), and a director of Precinct Properties and Turners and Growers. He is a director of substantial private companies based in Australia and New Zealand. In addition he is a director of or advisor to a number of hedge and private equity funds in a number of countries. Rob trained as an economist and has worked in a variety of capital market advisory and governance roles over a long period.

Christina Domecq (Auckland)

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

Kay Howe (Auckland)

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

Gràinne Troute (Auckland)

Independent Director appointed in February 2015. Appointed Chair of Remuneration & Nomination Committee in February 2015. Gráinne is currently General Manager Corporate Services for SKYCITY Entertainment Group and her portfolio includes Human Resources, Corporate Communications and Corporate Social Responsibility (CSR) including the SKYCITY Community Trusts. Gráinne joined SKYCITY in May 2008 and has advised that she will be leaving in October 2016 to pursue a full time governance career. Previously, she was Managing Director of HR consultancy Right Management and, prior to that, Managing Director of McDonald's Restaurants (New Zealand) Ltd. She joined McDonald's in the early 1990's establishing the Human Resources function, progressing through to Executive Vice-President, and then to Managing Director. Prior to this, she led the HR function for Coopers and Lybrand Auckland (now PwC). In addition to her extensive HR expertise, Gráinne has had wide experience in board and charitable trust governance roles in New Zealand including having been Chair of Ronald McDonald House Charities NZ for five years.

Graeme Wong (Wellington)

Independent Director appointed in November 2007. Appointed Chairman of Audit & Risk Committee in February 2015. Background in stock broking, capital markets and investment. Founded and became Executive Chairman of Southern Capital Limited which listed on the NZX and evolved into Hirequip New Zealand Limited. The business was sold to private equity interests in 2006. Previous directorships include New Zealand Farming Systems Uruguay Limited, Sealord Group Limited, Tasman Agriculture Limited, Magnum Corporation Limited, and At Work Insurance; alternate director of Air New Zealand. Currently Chairman of Harbour Asset Management Limited; Director of Areograph Limited, Precinct Properties New Zealand Limited and shareholder and Director of Southern Capital Partners (NZ) Limited. Member of the Trust Board of Samuel Marsden Collegiate School and Member of the Management Board of The Bible Society Development (New Zealand) Incorporated.

Corporate information

Directors

Rob Campbell
Christina Domecq
Kay Howe
Gráinne Troute
Graeme Wong

Executives

Grant Webster – Chief Executive Officer
Mark Davis – Chief Financial Officer
Jo Allison – Chief Operating Officer
Keith Chilek – Chief Technology Officer
David Simmons – Chief Operating Officer New Business Development

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

PricewaterhouseCoopers
Auckland, New Zealand

Solicitors

Minter Ellison Rudd Watts
Auckland, New Zealand

Bankers

Westpac New Zealand Limited
Westpac Banking Corporation
ANZ Bank New Zealand Limited